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Legislation relative to Banks and Banking enacted by the General Court during the session of 1921.

[These acts take effect ninety days after approval date.]

CHAPTER 78.

AN ACT PROHIBITING THE USE BY CERTAIN PERSONS AND CORPORATIONS OF ANY FOREIGN EQUIVALENT OF THE WORDS "BANK" OR "TRUST" AND THE LIKE.

Be it enacted, etc., as follows:

SECTION 1. Section twelve of chapter one hundred and sixty-seven of the General Laws is hereby amended by inserting before the word "as", in the twenty-third and twenty-fifth lines, respectively, the words:— or any word in a foreign language having the same or similar meaning, — so as to read as follows:— *Section 12.* No corporation, domestic or foreign, and no person, partnership or association except savings banks and trust companies incorporated under the laws of this commonwealth, or such foreign banking corporations as were doing business in this commonwealth, and were subject to examination or supervision of the commissioner on June first, nineteen hundred and six, shall hereafter make use of any sign at the place where its business is transacted having thereon any name, or other words indicating that such place or office is the place or office of a savings bank; nor shall such corporation, person, partnership or association make use of or circulate any written or printed or partly written and partly printed paper whatever, having thereon any name or other words, indicating that such business is that of a savings bank; nor shall any such corporation, person, partnership or association, or any agent of a foreign corporation not having an established place of business in this commonwealth, solicit or receive deposits or transact business in the way or manner of a savings bank, or in such a way or manner as to lead the public to believe, or as in the opinion of the commissioner might lead the public to believe, that its business is that of a savings bank; nor shall any person, partnership, corporation or association except co-operative banks incorporated under the laws of this commonwealth and corporations described in the first sentence of this section hereafter transact business under any name or title which contains the word "bank" or "banking", or any word in a foreign language having the same or similar meaning, as descriptive of said business, or, if he or it does a banking business or make a business of receiving money on deposit, under any name or title containing the word "trust", or any word in a foreign language having the same or similar meaning, as descriptive of said business.

SECTION 2. Section thirteen of said chapter one hundred and sixty-seven is hereby amended by inserting after the word "trust", in the fifth line, the words:—, or any word in a foreign language having the same or similar meaning, — so as to read as follows:— *Section 13.* The commis-

sioner or his examiners may examine the accounts, books and papers of any corporation, person, partnership or association making a business of receiving money on deposit, or which has the word "bank", "banking", "banker", "bankers", or "trust", or any word in a foreign language having the same or similar meaning, in the name under which its business is conducted, in order to ascertain whether such corporation, person, partnership or association has violated or is violating any provision of the preceding section; and any corporation, person, partnership or association refusing to allow such examination or violating any provision of said section shall forfeit to the commonwealth one hundred dollars a day for every day or part thereof during which such refusal or violation continues. Any violation of this or the preceding section shall forthwith be reported by the commissioner to the attorney general. The said forfeiture may be recovered by an information or other appropriate proceeding brought in the supreme judicial or superior court in the name of the attorney general. Upon such information or other proceeding the court may issue an injunction restraining such corporation, person, partnership or association from further prosecution of its business within the commonwealth during the pendency of such proceeding or for all time, and may make such other orders or decrees as equity and justice may require. [*Approved March 2, 1921.*]

CHAPTER 79.

AN ACT AUTHORIZING SAVINGS BANKS TO ESTABLISH AND MAINTAIN SAFE DEPOSIT VAULTS AND TO RENT BOXES THEREIN.

Be it enacted, etc., as follows:

Chapter one hundred and sixty-eight of the General Laws is hereby amended by inserting after section thirty-two the following new section:—*Section 32A.* Savings banks may, with the written permission of, and under regulations approved by, the commissioner, establish and maintain safe deposit vaults and rent boxes therein. The provisions of section seventeen of chapter one hundred and fifty-eight shall apply to said banks. [*Approved March 2, 1921.*]

CHAPTER 153.

AN ACT INCREASING THE MAXIMUM AMOUNTS OF JOINT DEPOSITS IN BANKS.

Be it enacted, etc., as follows:

Section fifteen of chapter one hundred and sixty-seven of the General Laws is hereby amended by striking out, in the second and ninth lines, the word "two", and inserting in place thereof in each instance the word:—four, — and by striking out, in the fourth, fifth, eleventh and twelfth lines, the word "four", and inserting in place thereof in each instance the word:—eight, — so as to read as follows:—*Section 15.* The bank may receive deposits on the accounts provided for in the preceding section to the amount of four thousand dollars, and may allow interest upon such deposits and upon the interest accumulated thereon until the principal with the accrued interest amounts to eight thousand dollars, and thereafter upon no greater amount than eight thousand dollars. Persons having a deposit as provided for in the preceding section may also make deposits in their individual names, but the total amount of such deposits, both joint and individual,

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value, as represented by the certificate. For every such loan a note shall be given accompanied by a transfer of the certificate as collateral for the loan. [Approved April 1, 1921.]

CHAPTER 229.

AN ACT RELATIVE TO THE INVESTMENT BY SAVINGS BANKS IN THE BONDS OF GAS, ELECTRIC AND WATER COMPANIES.

Be it enacted, etc., as follows:

Section fifty-four of chapter one hundred and sixty-eight of the General Laws is hereby amended by striking out, in the four hundred and eighty-fifth and four hundred and eighty-sixth lines the words "or renewing of such loan", and inserting in place thereof the words:— of such investment, — and by striking out, in the four hundred and eighty-eighth and four hundred and eighty-ninth lines, the words "or renewing of the loan", and inserting in place thereof the words:— of the investment, — so that the sixth clause will read as follows:— Sixth. In the bonds of a gas, electric or water company secured by a first mortgage of the franchise and property of the company: provided, that the net earnings of the company, after payment of all operating expenses, taxes and interest, as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been in each of the three fiscal years preceding the making of such investment equal to not less than four per cent on all its capital stock outstanding in each of said years; and, provided, that the gross earnings of the company in the fiscal year preceding the making of the investment have been not less than one hundred thousand dollars. [Approved April 4, 1921.]

CHAPTER 242.

AN ACT RELATIVE TO THE ISSUE OF PAID-UP SHARES BY CO-OPERATIVE BANKS.

Be it enacted, etc., as follows:

SECTION 1. Section twelve of chapter one hundred and seventy of the General Laws is hereby amended by inserting after the word "each", in the third line, the words:—; provided that the total value of paid-up shares outstanding at any one time shall not exceed ten per cent of the assets of the corporation, — so as to read as follows:— *Section 12.* The capital to be accumulated shall be unlimited and shall be divided into shares of the ultimate value of two hundred dollars each; provided that the total value of paid-up shares outstanding at any one time shall not exceed ten per cent of the assets of the corporation. The shares may be issued in quarterly, half yearly or yearly series, in such amounts and at such times as the board of directors may determine. Shares of a prior series may be issued after a new series, subject to the approval of the board of directors. Paid-up shares may be issued, subject to such approval, each share to have a value of two hundred dollars, which shall be paid by the purchaser when the shares are issued, together with interest from the last distribution of profits at a rate fixed by the directors, but not in excess of the rate distributed to unmatured shares. Paid-up shares shall participate in each distribution of profits in the same manner and to the same extent as matured shares, as provided in section forty, but at a rate not to exceed five

per cent. No person shall hold more than forty unmatured shares or more than ten matured and ten paid-up shares in any one bank at the same time. Paid-up shares may be withdrawn or retired in the manner provided in sections sixteen and eighteen for matured shares.

SECTION 2. This act shall not require a co-operative bank having outstanding, at the time of its passage, paid-up shares in excess of ten per cent of its assets, to retire said excess, but no new paid-up shares shall be issued by said bank unless in compliance with this act. [Approved April 8, 1921.

CHAPTER 292.

AN ACT REGULATING THE RIGHT OF SAVINGS BANKS AND SAVINGS DEPARTMENTS OF TRUST COMPANIES TO REQUIRE NOTICE OF WITHDRAWAL OF DEPOSITS.

Be it enacted, etc., as follows:

SECTION 1. Section fifty-one of chapter one hundred and sixty-eight of the General Laws is hereby amended by adding at the end thereof the following:— Whenever such corporation requires said notice from ten or more depositors on any one day, it shall be deemed to have made a general requirement and it shall file within forty-eight hours thereafter a written notice setting forth the terms of the requirement with the commissioner. Until such general requirement has been removed and notice thereof filed with the commissioner, no payment shall be made to any depositor on account of his deposit other than in accordance with the general requirement as set forth in the notice filed with the commissioner, except that with the approval of the commissioner, amounts not exceeding, in the aggregate, one hundred dollars may be paid to each depositor.

Such corporation shall not advertise for deposits in newspapers, by posters or other written solicitation, while such general requirement is in effect, unless the advertisement shall contain, in type not smaller than the largest type thereof, a statement that such deposits may not be withdrawn for the period set forth in the notice of said requirement.

SECTION 2. Section sixty-six of chapter one hundred and seventy-two of the General Laws is hereby amended by adding at the end thereof the following:— Whenever such corporation requires said notice from ten or more depositors on any one day, it shall be deemed to have made a general requirement and it shall file within forty-eight hours thereafter a written notice setting forth the terms of the requirement with the commissioner. Until such general requirement has been removed and notice thereof filed with the commissioner, no payment shall be made to any depositor in said savings department on account of his deposit other than in accordance with the general requirement as set forth in the notice filed with the commissioner, except that with the approval of the commissioner, amounts not exceeding, in the aggregate, one hundred dollars may be paid to each depositor.

Such corporation shall not advertise for deposits in newspapers, by posters or other written solicitation, while such general requirement is in effect, unless the advertisement shall contain, in type not smaller than the largest type thereof, a statement that such deposits may not be withdrawn for the period set forth in the notice of said requirement. [Approved April 15, 1921.

CHAPTER 352.

AN ACT RELATIVE TO DIRECTORS IN TRUST COMPANIES.

Be it enacted, etc., as follows:

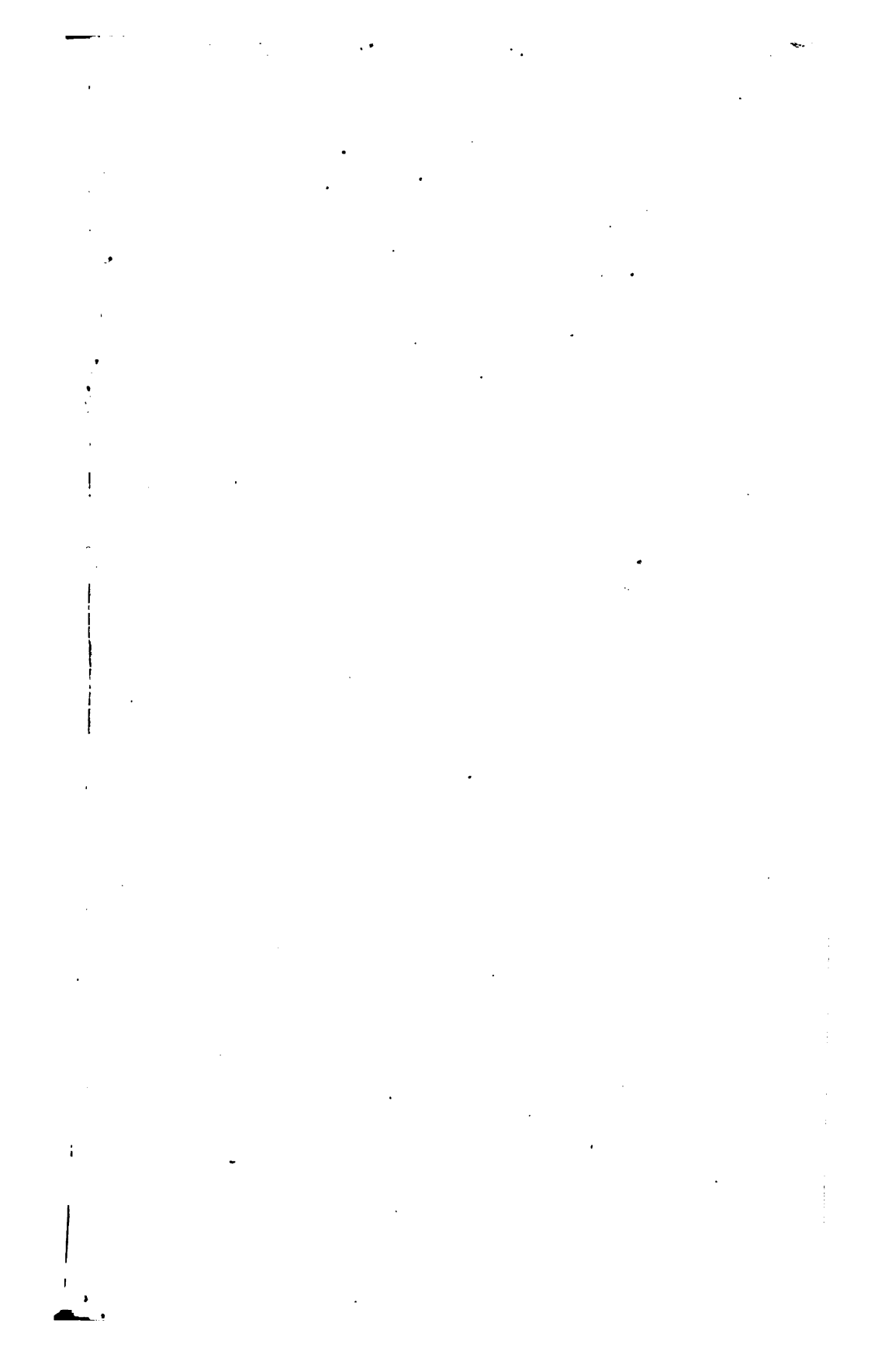
Section fourteen of chapter one hundred and seventy-two of the General Laws is hereby amended by inserting after the word "stockholder", in the second line, the words:— of record,— so as to read as follows:— *Section 14.* No person shall be a director in any such corporation unless he is a stockholder of record holding not less than ten shares of unpledged stock therein. A majority of the directors shall be citizens of and resident in the commonwealth and not more than one third of the directors shall be directors in any other such corporation. [*Approved May 2, 1921.*]

CHAPTER 471.

AN ACT RELATIVE TO THE PAYMENT OF DIVIDENDS IN CASE OF BANKS IN PROCESS OF LIQUIDATION.

Be it enacted, etc., as follows:

Section thirty-one of chapter one hundred and sixty-seven of the General Laws is hereby amended by inserting after the word "commissioner," in the third line, the words:— depositor, creditor, stockholder or any party in interest,— and by striking out, in the same line, the word "him" and inserting in place thereof the words:— or direct the commissioner,— so as to read as follows:— *Section 31.* At any time after the expiration of the date fixed for the presentation of claims, the supreme judicial court, on application of the commissioner, depositor, creditor, stockholder or any party in interest, may authorize or direct the commissioner to declare out of the funds remaining in his hands, after the payment of expenses, one or more dividends, and, after the expiration of one year from the first publication of notice to creditors, the commissioner may declare a final dividend, such dividends to be paid to such persons, in such amounts, and upon such notice as may be directed by the supreme judicial court for the county where the principal office of such bank was located, or as may be directed by a justice of said court. Objections to any claim not rejected by the commissioner may be made by any person interested by filing a copy of the objections with the commissioner, who shall present the same to the supreme judicial court at the time of the next application for leave to declare a dividend. The court to which such application is made shall thereupon dispose of said objections, or may refer them to a master, and should the objections to any claim be sustained by the court or by the master no dividend thereon shall be paid by the commissioner until the claimant shall have established his claim by the judgment of a court of competent jurisdiction. The court may make proper provision for unproved or unclaimed deposits. [*Approved May 27, 1921.*]

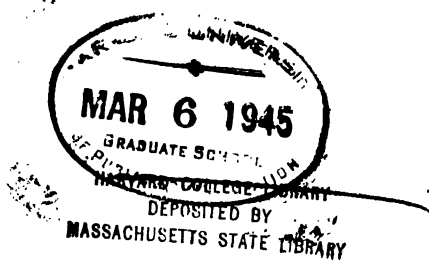


Massachusetts - Laws, statutes, etc.

STATUTES
OF
THE COMMONWEALTH OF MASSACHUSETTS
RELATING TO
BANKS AND BANKING



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STATUTES

RELATING TO

DEPARTMENT OF BANKING AND INSURANCE DIVISION OF BANKS AND LOAN AGENCIES

CHAPTER 26, GENERAL LAWS

STATUTES

RELATING TO

DEPARTMENT OF BANKING AND INSURANCE, DIVISION OF BANKS AND LOAN AGENCIES.

General Laws, Chapter 26, Sections 1 to 5, inclusive.

DEPARTMENT OF BANKING AND INSURANCE.

SECT.

1. Divisions of the department.

DIVISION OF BANKS AND LOAN AGENCIES.

2. Commissioner of banks.

3. Appointment of employees, etc.

4. Supervisor of loan agencies.

5. Board of bank incorporation.

SECTION 1. There shall be a department of banking and insurance, consisting of a division of banks and loan agencies, a division of insurance, and a division of savings bank life insurance. Each division shall be in charge of a commissioner, who shall be known, respectively, as the commissioner of banks, the commissioner of insurance and the commissioner of savings bank life insurance. The commissioners shall act as a board in all matters concerning the department as a whole.

Divisions of
the depart-
ment.
1919, 350,
§§ 45, 46.

DIVISION OF BANKS AND LOAN AGENCIES.

SECTION 2. Upon the expiration of the term of office of a commissioner of banks, his successor shall be appointed for three years by the governor, with the advice and consent of the council. The commissioner shall receive such salary, not exceeding six thousand dollars, as the governor and council determine. He shall not be an officer of or directly or indirectly interested in any national bank or in any bank, trust company, corporation, business or occupation that requires his official supervision, and he shall not engage in any other business. He shall give bond with sureties in the sum of twenty thousand dollars to be approved by the state treasurer, for the faithful performance of his duties.

Commissioner
of banks.
1838, 14,
§§ 1, 9,
1843, 43,
1844, 45,
1851, 127,
§§ 1, 9,
G. S. 57,
§§ 1, 11,
1862, 212, § 1.
1866, 192,
§§ 1, 9.

1870, 124;

293, § 3.

P. S. 116, §§ 1, 2.

1886, 252, § 1.

1870, 244.

1889, 321.

1894, 317, §§ 1, 2.

R. L. 113, §§ 1, 2.

1902, 490, § 1.

1876, 231.

1906, 204, § 1.

1908, 590, §§ 2, 69.

1919, 350, § 49.

1920, 596, § 1.

SECTION 3. The commissioner may appoint and remove such clerical and other assistance as the work of the division may require, and fix their compensation. He shall be allowed necessary expenses, including those for the investigation of, and prosecution for violation of, any provision of sections ninety-six to one hundred and fourteen, inclusive, of

Appointment
of employees,
etc.
1838, 14,
§§ 5, 9,
1851, 127,
§§ 5, 9.

G. S. 57,
 §§ 2, 11.
 1862, 212, § 2.
 1866, 192, § 9.
 1870, 244.
 1876, 231, § 4.
 1879, 124;
 293, § 3.

chapter one hundred and forty, and the actual expenses incurred by him and his subordinates in traveling in the performance of official duties.

The clerical and other assistants shall give bonds, with sureties to be approved by the commissioner, for the faithful performance of their duties.

1882, 148.	1880, 161, § 5.	P. S. 116, § 2.
1886, 252, §§ 2, 3.	1895, 66.	1908, 590, §§ 3, 69.
1889, 77.	1897, 362.	1911, 727, § 1.
1894, 317, § 2.	R. L. 113, § 2.	1912, 516, § 1;
	1902, 490, § 1.	675, § 1.
		1913, 294.
		1916, 194.
		1919, 350, § 49.
		1920, 546, § 4.

Supervisor
 of loan
 agencies.
 1911, 727, § 1.
 1912, 675, § 1.
 1913, 638, § 1.
 1919, 350, § 49.

SECTION 4. The commissioner of banks may, with the approval of the governor and council, appoint and remove a deputy as supervisor of loan agencies, who shall give bond in the sum of five thousand dollars, with sufficient sureties, payable to and approved by the state treasurer, and, subject to the approval of the governor and council, may fix his compensation.

Board of
 bank incor-
 poration.
 1906, 204, §§ 4, 5.

SECTION 5. There shall be a board of bank incorporation serving in the division, consisting of the state treasurer, the commissioner of banks and the commissioner of corporations and taxation.

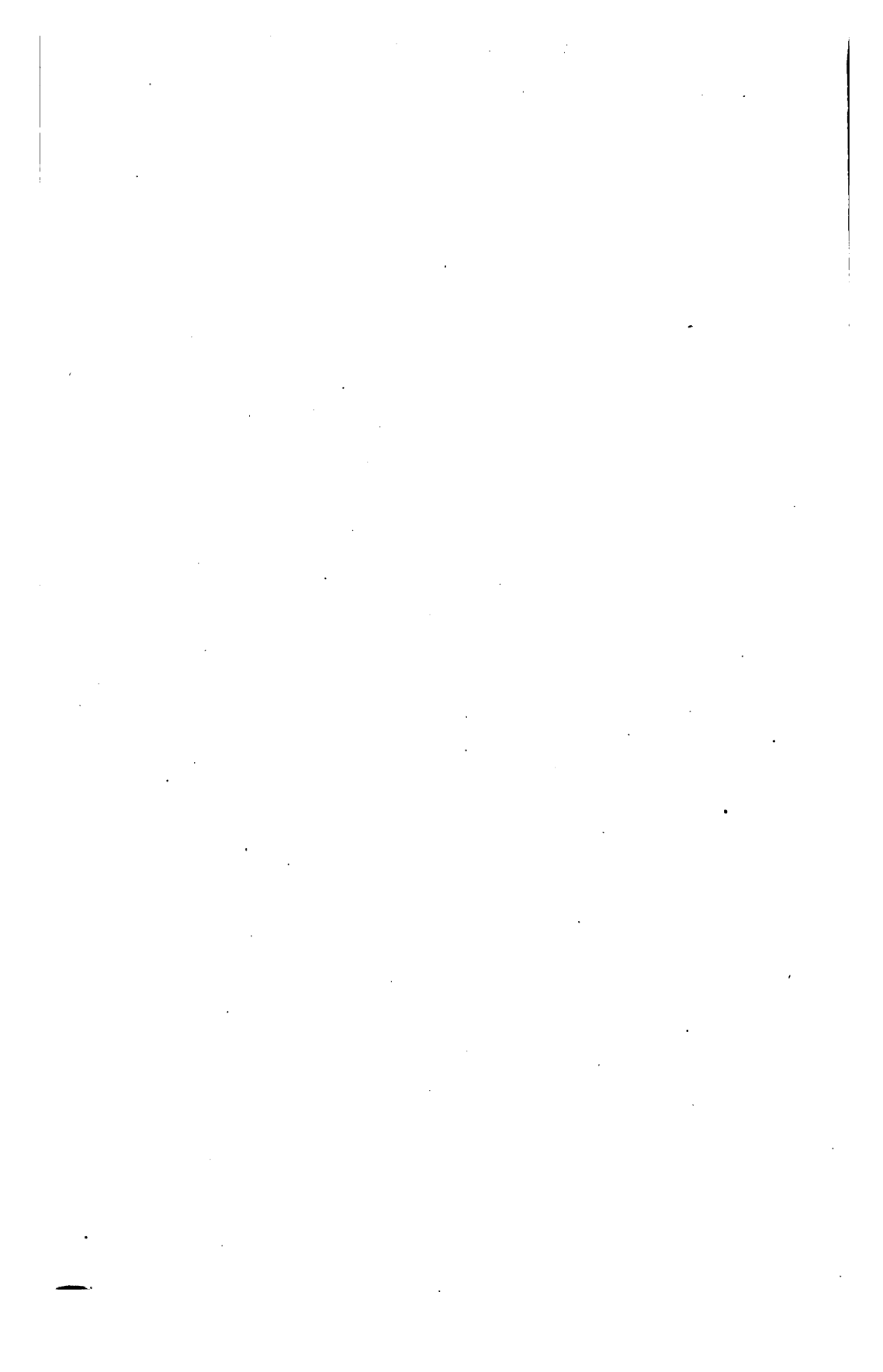
1908, 590, §§ 4, 69.	1909, 491, § 2.	1919, 350, § 47.
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STATUTES

RELATING TO

BANKS AND BANKING

CHAPTER 167, GENERAL LAWS



STATUTES

RELATING TO

BANKS AND BANKING.

General Laws, Chapter 187.

BANKS AND BANKING.

SECT.

SUPERVISION.

1. Definitions.
2. Examination of banks.
3. Commissioner may summon and examine officers. Penalty.
4. Examination of bank on request of officers, etc.
5. Commissioner may report and prosecute violations of law. Publication of certain facts.
6. Books and accounts.
7. Reports of banks. Penalty.
8. Penalty for making false reports.
9. Report to general court.
10. Appraisal of real estate offered as security.
11. Returns may be destroyed.

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13. Penalty therefor.
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15. Joint deposits, interest on.
16. Interest on sums deposited at intervals.
17. Dividends on deposits. Computation thereof when interest day falls on Sunday or holiday.
18. Payment of unearned dividends prohibited; penalty.
19. Return of vouchers. Notices.
20. Lost pass books.

LIQUIDATION.

21. Receivers to deposit unclaimed money.
22. When commissioner may take possession of bank. Voluntary dissolution.

SECT.

23. Possession of commissioner; consequences of.
24. Authority of commissioner in possession.
25. Litigation and sales of property.
26. Commissioner may appoint agents to assist, etc.
27. Inventory.
28. Notice and proof of claims.
29. List of claims.
30. Fees and expenses.
31. Dividends; objections to claims.
32. Disposition of property deposited with bank.
33. Application to court to enjoin proceedings of commissioner.
34. Stockholders' meeting.
35. Disposition of funds remaining in hands of commissioner.
36. Enforcement.

FOREIGN BANKS.

37. Certain foreign banking associations not to do business without permission, etc.
38. Annual examination.
39. Commissioner to have access to vaults and may summon witnesses, etc.
40. Proceedings for enjoining insolvent corporation from doing business, etc.
41. Savings department.
42. Funds, etc., to be kept separate.
43. Income.
44. Number of offices in commonwealth limited.
45. Application of sections 41 to 44.

SUPERVISION.

SECTION 1. In this chapter, unless the context otherwise requires, the following words shall have the following meanings:

"Bank", a savings bank, co-operative bank, trust company or any person, partnership, association or corporation, incorporated or doing a banking business in the commonwealth, subject to the supervision of the commissioner of banks.

"Commissioner", the commissioner of banks.

Definitions.
1908, 590, § 1.
1910, 399, § 1.
1919, 350, § 46.

Examination of banks.

1838, 14, § 2.
 1851, 127, § 2.
 G. S. 57, § 3.
 1866, 192, § 2, § 3.
 1876, 231, § 3.
 P. S. 116, § 3.
 1888, 51.
 1894, 317, § 3.
 R. L. 113, § 3.
 1908, 590, § 5, § 6.
 1909, 491, § 3.
 1910, 622, § 1.
 1912, 173.

Commissioner may summon and examine officers.

Penalty.
 1838, 14, § 3.
 1839, 27.
 1851, 127, § 3.
 G. S. 57, § 5.
 1866, 192, § 3.
 1876, 231, § 3.
 P. S. 116, § 4.

Examination of bank on request of officers, etc.

1851, 127, § 4.
 G. S. 57, § 6.
 1866, 192, § 4.
 1876, 231, § 3.

Commissioner may report and prosecute violations of law.

Publication of certain facts.
 1838, 14, § 6.
 1851, 127, § 10.
 G. S. 57, § 9.
 1866, 192, § 7.
 1876, 231, § 3.
 1878, 253, § 6.
 P. S. 116, § 9.
 1894, 317, § 9.
 R. L. 113, § 9.
 1908, 590, § 8, § 9.
 1910, 622, § 2.

SECTION 2. The commissioner, either personally or by his examiners, or such others of his assistants as he may designate, shall, at least once in each year, and whenever he considers it expedient, visit each bank. At such visits the person making the examination shall have free access to the vaults, investments, cash, books and papers, and shall examine the affairs, of the bank, and ascertain whether it has complied with the law. In case of banks not subject to section seventeen of chapter one hundred and sixty-eight, the person making the examination shall also ascertain the condition of the bank, and its ability to fulfil its obligations. The commissioner shall preserve a full record of such examinations, including a statement of the condition of every bank so examined. Such records, and information contained in reports of such banks, other than information required by law to be published or to be open to the inspection of the public, shall be open only to the inspection of the commissioner, his examiners and assistants, and such other officers of the commonwealth as may have occasion and authority to inspect them in the performance of their official duties. The commissioner may furnish to the national bank examiners, the federal government, any organization created by federal legislation, or the banking departments of other states, such information, reports and statements relating to the institutions under his supervision as he deems best.

SECTION 3. The commissioner, or his examiners or such others of his assistants as he may designate, may summon the trustees, officers or agents of a bank, or any other witnesses, and examine them relative to the affairs, transactions and condition of the bank, and for that purpose may administer oaths. Whoever, without justifiable cause, refuses to appear and testify when so required, or obstructs the person making such examination in the performance of his duty, shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year.

1894, 317, § 4.

R. L. 113, § 4.

1908, 590, §§ 6, 69.

SECTION 4. Upon written application on oath to the commissioner by five or more officers, trustees, creditors or depositors of a bank setting forth their interest and the reasons for making an examination and requesting him to examine such bank, he shall forthwith make a full investigation of its affairs in the manner provided in the two preceding sections.

P. S. 116, § 5.

1894, 317, § 5.

R. L. 113, § 5.

1908, 590, §§ 7, 69.

SECTION 5. If, in the opinion of the commissioner, a bank or its officers or trustees have violated any law relative thereto, he may forthwith report such violation to the attorney general, who shall forthwith, in behalf of the commonwealth, institute a prosecution therefor. If, in the opinion of the commissioner, such bank is conducting any part of its business in an unsafe or unauthorized manner, he shall direct in writing that such unsafe or unauthorized practice shall be discontinued; and if any such bank refuses or neglects to comply with any such direction of the commissioner, or if, in the opinion of the commissioner, a trustee or officer of such bank has abused his trust, or has used his official position in a manner contrary to the interests of such bank or its depositors, or has been negligent in the performance of his duties, the commissioner may, in case of a savings bank, forthwith report the facts to the attorney general, who may, after granting a hearing to said savings bank, trustee or officer, institute proceedings in the supreme judicial court, which shall have jurisdiction in equity of such proceedings, for the removal of one or more of the trustees or officers, or of such other proceedings as the case may require; or the commissioner may, in case of any bank, after giving a hearing to the directors or trustees thereof,

either report to the shareholders thereof, or, with the written consent of a board composed of the state treasurer, the attorney general and the commissioner of corporations and taxation, publish such facts relative thereto as in his opinion the public interest may require.

SECTION 6. The commissioner may prescribe the manner and form of keeping the books and accounts of a bank, the extent to which they shall be audited, and the manner of safeguarding the money and securities.

P. S. 116, § 39. 1894, 317, § 41. 1910, 622, § 3.
R. L. 113, § 46. 1908, 590, §§ 12, 69.

Books and accounts.
1879, 285, § 1.
1880, 228, § 1.

SECTION 7. In addition to the reports required by law, banks shall make such other statements and reports to the commissioner as he may require. The commissioner shall furnish blank forms for all statements or reports required to be made to him. Any bank neglecting to make the returns required by law or by the commissioner, or failing to amend such report within fifteen days after notice from him, shall forfeit to the commonwealth five dollars for each day during which such neglect continues, to be recovered by an information in equity in the name of the attorney general at the relation of the commissioner, brought in the supreme judicial court for Suffolk county.

P. S. 116, § 42.
1894, 317, § 44. R. L. 113, § 49. 1908, 590, §§ 13, 69. 1912, 97.

Reports of banks.
Penalty.
1834, 190, § 11.
R. S. 36, § 83.
1846, 49;
86, § 2.
G. S. 57, § 149.
1866, 192, § 6.
1867, 203, § 2.
1876, 203, § 24.
1878, 253, § 2.

SECTION 8. An officer, agent, clerk or servant of a bank who refuses or neglects to make a report or statement lawfully required by the commissioner or his examiners or assistants, shall be punished by a fine of not more than one thousand dollars or by imprisonment in the house of correction for not more than two and one half years, or both.

1918, 257, § 464. 1919, 5. 1920, 2.

Penalty for making false reports.
1896, 327.
R. L. 113, § 51.
1908, 590, §§ 14, 69.

SECTION 9. Annually, on or before the third Wednesday in January, the commissioner shall communicate to the general court an abstract of his report and such suggestions as he considers expedient relative to the general conduct and condition of banks, and on or before March fifteenth a statement of the condition of every incorporated bank, including incorporated banks in the hands of receivers, from which a report has been received for the preceding year, together with such other information relative to the affairs of the said banks, as, in his opinion, the public interest may require.

1878, 253, § 2. P. S. 116, § 42.
1894, 317, § 44. R. L. 113, § 49. 1908, 590, §§ 15, 69. 1910, 393.

Report to general court.
1834, 190, § 11.
R. S. 36, § 83.
1846, 49;
86, § 2.
G. S. 57, § 149.
1866, 192, § 6.
1867, 203, § 2.
1876, 203, § 24.

SECTION 10. Whenever in the opinion of the commissioner an excessive loan has been made, or is about to be made upon real estate, by a trust company or co-operative bank, he may cause an appraisal of such real estate to be made at the expense of the trust company or bank making the loan. One appraiser shall be named by the commissioner, one by the trust company or bank, and a third by the two thus named. The appraisers shall determine the value of the real estate and certify the same in writing to the commissioner and to the trust company or bank. If it shall appear from the appraisal that the loan is excessive, the commissioner may make such order in relation thereto as he deems advisable.

SECTION 11. Returns to the commissioner under section twenty-six of chapter one hundred and seventy-two, records of examinations of banks made under section two of this chapter, reports made under section twenty-six of chapter one hundred and sixty-eight, and returns made under section forty-four of chapter one hundred and seventy, may, after five years from the date of their receipt, be destroyed or disposed of by order of their lawful custodian, and any proceeds received in the course of their disposal shall be paid to the commonwealth.

Appraisal of real estate offered as security.
1912, 128.

Returns may be destroyed.
1916, 142.

REGULATION OF BUSINESS.

Unauthorised
banking pro-
hibited.

1889, 452, § 1.
1893, 230.
1894, 317, § 52.
R. L. 113, § 11.
1906, 377, § 1.
1908, 590,
§§ 16, 69.
1909, 491, § 4.
1914, 610.
3 Op. A. G. 250.

SECTION 12. No corporation, domestic or foreign, and no person, partnership or association except savings banks and trust companies incorporated under the laws of this commonwealth, or such foreign banking corporations as were doing business in this commonwealth, and were subject to examination or supervision of the commissioner on June first, nineteen hundred and six, shall hereafter make use of any sign at the place where its business is transacted having thereon any name, or other words indicating that such place or office is the place or office of a savings bank; nor shall such corporation, person, partnership or association make use of or circulate any written or printed or partly written and partly printed paper whatever, having thereon any name or other words, indicating that such business is that of a savings bank; nor shall any such corporation, person, partnership or association, or any agent of a foreign corporation not having an established place of business in this commonwealth, solicit or receive deposits or transact business in the way or manner of a savings bank, or in such a way or manner as to lead the public to believe, or as in the opinion of the commissioner might lead the public to believe, that its business is that of a savings bank; nor shall any person, partnership, corporation or association except co-operative banks incorporated under the laws of this commonwealth and corporations described in the first sentence of this section hereafter transact business under any name or title which contains the word "bank" or "banking", as descriptive of said business, or, if he or it does a banking business or makes a business of receiving money on deposit, under any name or title containing the word "trust", as descriptive of said business.

Penalty
therefor.

1889, 452, § 1.
1893, 230.
1894, 317, § 52.
R. L. 113, § 11.
1906, 377, § 2.
1908, 590,
§§ 17, 69.
1914, 470.
1918, 44.

SECTION 13. The commissioner or his examiners may examine the accounts, books and papers of any corporation, person, partnership or association making a business of receiving money on deposit, or which has the word "bank", "banking", "banker", "bankers", or "trust" in the name under which its business is conducted, in order to ascertain whether such corporation, person, partnership or association has violated or is violating any provision of the preceding section; and any corporation, person, partnership or association refusing to allow such examination or violating any provision of said section shall forfeit to the commonwealth one hundred dollars a day for every day or part thereof during which such refusal or violation continues. Any violation of this or the preceding section shall forthwith be reported by the commissioner to the attorney general. The said forfeiture may be recovered by an information or other appropriate proceeding brought in the supreme judicial or superior court in the name of the attorney general. Upon such information or other proceeding the court may issue an injunction restraining such corporation, person, partnership or association from further prosecution of its business within the commonwealth during the pendency of such proceeding or for all time, and may make such other orders or decrees as equity and justice may require.

Joint deposits
regulated.
1911, 228.

SECTION 14. When a deposit is made in any bank, in the names of two persons, payable to either, or payable to either or the survivor, such deposit, or any part thereof, or interest or dividend thereon, if not then attached at law or in equity in a suit against either of said persons, may be paid to either of said persons, whether the other be living or not, and such payment shall discharge the bank making such payment from its obligation, if any, to such other person or to his legal representatives for or on account of such deposit.

Joint deposits,
interest on.
1915, 93.

SECTION 15. The bank may receive deposits on the accounts provided for in the preceding section to the amount of two thousand dollars, and may allow interest upon such deposits and upon the interest accumulated thereon until the principal with the accrued interest amounts

to four thousand dollars, and thereafter upon no greater amount than four thousand dollars. Persons having a deposit as provided for in the preceding section may also make deposits in their individual names, but the total amount of such deposits, both joint and individual, shall not exceed two thousand dollars, and the bank may allow interest upon such deposits and upon the interest accumulated thereon until the principal with the accrued interest on all said accounts amounts to four thousand dollars, and thereafter upon no greater amount than four thousand dollars.

SECTION 16. Savings banks and trust companies in their savings departments may contract, on terms to be agreed upon, for the deposit at intervals within any period of twelve months, of sums of money in the aggregate not in excess of the statutory limit on deposits in savings banks, and for the payment of interest on the same at a rate not more than one per cent less than the rate of their last regular dividend on savings deposits. A sum thus accumulated, if left in such a depository as a regular savings deposit within fifteen days after the date on which money ordinarily begins to draw interest, may, if the depository so provides, draw interest from such prior date.

Interest on sums deposited at intervals.
1919, 37, § 1.

SECTION 17. Dividends or interest on deposits in the savings department of trust companies or in savings banks may be declared and paid for periods of not less than one month or more than six months, as determined by their by-laws, from income which has been earned and collected during the next preceding six months but such dividends or interest, whenever paid, shall not exceed the average monthly income of the preceding six months' period. In the computation of such dividends or interest, when the day on which deposits in any such savings department or savings bank begin to draw interest, as provided in its by-laws or regulations, falls on a Sunday or a legal holiday, deposits made on the next succeeding business day and remaining on deposit through the balance of the monthly period, may be construed as having been on deposit one full month, within the meaning of this section, section forty-seven of chapter one hundred and sixty-eight and section sixty-seven of chapter one hundred and seventy-two.

Dividends on deposits.
Computation thereof when interest day falls on Sunday or holiday.
1919, 116, § 2;
326, § 1.
1920, 38; 311.

SECTION 18. An officer, agent, clerk or servant of a trust company or savings bank who pays or authorizes the payment of any dividend or interest unless the same has been earned and collected as provided in the preceding section shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than six months.

Payment of unearned dividends prohibited; penalty.
1919, 326, § 2.

SECTION 19. A depositor's vouchers may be returned by mailing the same to him, at his last known address, postage prepaid, and such depositor may, when required to notify the bank, give notice in like manner.

Return of vouchers.
Notices.
1912, 277, § 2.

SECTION 20. When a pass book issued by a savings bank, a co-operative bank or the savings department of a trust company has been lost, stolen or destroyed, the person in whose name it was issued or his legal representative, may make written application to such bank, for payment of the amount of the deposit represented by said book or for the issuance of a duplicate book therefor. Thereupon with the written consent of the bank, he may give, or authorize the bank at his expense to give, public notice of such application by advertising the same at least once a week for three successive weeks in a newspaper published in or nearest to the town where such bank is situated. If such book shall not be presented to said bank within thirty days after the date of the first advertisement, as aforesaid, the bank shall, upon proof that such notice has been given, pay the amount due on said book or issue a duplicate book therefor; and upon such payment or delivery of a new book, all liability of the bank on account of the original book shall cease.

Lost pass books.
1908, 590, § 40.
1909, 491, § 6.
1912, 171.

LIQUIDATION.

Receivers to
deposit un-
claimed money.
1881, 70.
P. S. 116, § 44.
1882, 77.
1883, 258.
1884, 72.
1894, 317, § 54.
R. L. 113, § 56.
1904, 200.
1908, 590,
§§ 58, 69.

When commis-
sioner may
take possession
of bank.
Voluntary
dissolution.
1838, 14, § 5.
1839, 27, § 2.
1851, 127, § 5.
G. S. 57, § 7.
1866, 192, § 5.
1876, 231, § 3.
P. S. 116, § 6.
1894, 317, § 6.
R. L. 113, § 6.
1908, 590,
§§ 9, 69.
1910, 399,
§§ 2, 17.
1912, 472, § 2.
211 Mass. 207.

Possession of
commissioner;
consequences
of.
1910, 399, § 3.
1913, 177.

SECTION 21. Receivers of insolvent savings banks or trust companies, at the expiration of one year after the final settlement ordered by the court, shall report to the court the names and residences, if known, of the persons entitled to money or dividends from the estate of such corporations remaining in their hands uncalled for, with the amount due to each. The court shall thereupon order a notice to be given by the receivers, and, upon the expiration of one year after the time of giving such notice, the receivers shall in like manner report the amounts still uncalled for. Unless cause shall appear for decreeing otherwise, such amounts shall then be ordered to be paid to the commonwealth, and schedules signed by the receivers shall at the same time be deposited with the state treasurer and state auditor, setting forth the decree of the court and the names and residences, so far as known, of the persons entitled thereto alphabetically arranged, and the amount due to each. The auditor shall forthwith cause notice of such deposit to be mailed to such persons, and, upon certification by him that a claimant is entitled to any part of said deposit, it shall be paid in the same manner as other claims against the commonwealth. Upon the payment to the commonwealth of such unclaimed money or dividends, the receivers shall deposit with the commissioner all books and papers of such insolvent savings banks or trust companies, including those relative to their receivership, which shall be preserved by him.

SECTION 22. Whenever it shall appear to the commissioner that any bank has violated its charter or any law of the commonwealth, or is conducting its business in an unsafe or unauthorized manner, or that its capital is impaired, or if it shall refuse to submit its books, papers and concerns to the inspection of the commissioner or of his duly authorized agents, or if any officer of such bank shall refuse to be examined on oath by the commissioner or his duly authorized assistants touching its concerns, or if it shall suspend payment of its obligations, or if from an examination or from a report provided for by law the commissioner shall have reason to conclude that such bank is in an unsound or unsafe condition to transact the business for which it is organized, or that it is unsafe and inexpedient for it to continue business, the commissioner may take possession forthwith of the property and business of such bank and may retain possession thereof until the bank shall resume business or until its affairs shall finally be liquidated as herein provided.

Subject to the written approval of the commissioner, any bank, at a meeting specially called to consider the subject, may vote to dissolve the corporation and liquidate its affairs; provided, that such a vote is passed by at least two thirds of the trustees or shareholders in a savings bank or co-operative bank or by stockholders of a trust company representing at least two thirds of its outstanding capital stock. A committee of three trustees, shareholders or stockholders shall thereupon be elected, and, under such regulations as may be prescribed by the commissioner, shall liquidate the assets, and after satisfying all debts of the corporation shall distribute the remaining proceeds among those entitled thereto in proportion to their respective interests therein.

SECTION 23. Upon taking possession of the property and business of a bank, the commissioner shall forthwith give notice thereof to all banks, trust companies, associations and individuals holding or having possession of any assets of such bank. No bank, trust company, association or individual, knowing that the commissioner has taken such possession, or having been notified thereof as aforesaid, shall have a lien or charge for any payment, advance or clearance thereafter made, or liability thereafter incurred, against any of the assets of the bank of

whose property and business the commissioner shall have taken possession as aforesaid. Such bank may, with the consent of the commissioner, resume business upon such conditions as he may approve; provided, that if, in his judgment it is for the public interest so to do, he may retain in behalf of the bank the control, prosecution or defence of any undetermined suits or claims brought in behalf of or against the bank under section twenty-five during the time when the bank was in his charge, and the expense of prosecuting or defending such suits or claims shall be paid from the funds of such bank.

SECTION 24. Upon taking possession of the property and business of such bank, the commissioner may collect moneys due to the bank, and do all acts necessary to conserve its assets and business, and shall proceed to liquidate its affairs as hereinafter provided. He shall collect all debts due and claims belonging to it, and upon the order or decree of the supreme judicial court, or any justice thereof, may sell or compound all bad or doubtful debts, and on like order or decree may sell all, or any part of, the real and personal property of the bank on such terms as the court shall direct; and he may, if necessary to pay the debts of any such trust company, enforce the individual liability of the stockholders.

Authority of commissioner in possession. 1910, 399, § 4.

SECTION 25. To execute and perform the powers and duties conferred upon him, the commissioner may, in the name of any such bank, prosecute and defend all suits and other legal proceedings and may, in the name of the bank, execute, acknowledge and deliver all deeds, assignments, releases and other instruments necessary and proper to effectuate any sale of real or personal property or any compromise authorized by the court; and any deed or other instrument, executed pursuant to the authority hereby given, shall be valid and effectual for all purposes to the same extent as though executed by the officers of the bank by authority of its board of directors or of its stockholders, or by the individual banker personally. In case any of the real property so sold is located in a county other than that where the application to the court for leave to sell the same is made, the commissioner shall cause a certified copy of the order or decree of the court authorizing or ratifying such sale to be filed in the registry of deeds for the district where the said real property lies.

Litigation and sales of property. 1910, 399, § 5.

SECTION 26. The commissioner may, under his hand and official seal, appoint agents to assist him in the duty of liquidation and distribution. The certificates of the appointment of such agents shall be filed in the office of the commissioner, and certified copies thereof shall be filed in the office of the clerk of the supreme judicial court for the county where the principal office of such bank is located. The commissioner may from time to time authorize such agents to perform such duties connected with said liquidation and distribution as he deems proper. The commissioner may procure such expert assistance and advice as he considers necessary in the liquidation and distribution of the assets of such bank, and he may retain such of the officers or employees of the bank as he deems necessary. The commissioner shall require from a special agent and from such assistants such security for the faithful discharge of their duty as he deems proper.

Commissioner may appoint agents to assist, etc. 1910, 399, § 6.

SECTION 27. Upon taking possession of the property and assets of such bank, the commissioner shall make an inventory in duplicate of the assets of the bank, one to be filed in his office and one in the office of the clerk of the supreme judicial court for the county where the principal office of the bank is located.

Inventory. 1878, 253, § 5. P. S. 116, § 7. 1894, 317, § 7. R. L. 113, § 7.

1908, 590, §§ 10, 69.

1910, 399, §§ 7, 17.

SECTION 28. The commissioner shall publish weekly for three consecutive months, in such newspapers as he directs, a notice calling on all persons who may have claims against such bank to present the same

Notice and proof of claims. 1910, 399, § 8. 211 Mass. 207.

to the commissioner and to make legal proof thereof at a place and in a time, not earlier than the last day of publication, to be therein specified. The commissioner shall mail a similar notice to all persons whose names appear as creditors upon the books of the bank, so far as their addresses are known. If the commissioner doubts the justice and validity of any claim, he may reject the same and serve notice of such rejection upon the claimant either personally or by mail. An affidavit of service of such notice, which shall be prima facie evidence thereof, shall be filed with the commissioner. An action upon the claim so rejected shall not be entertained unless brought within six months after such service. Claims presented after the expiration of the time specified in the notice to creditors shall be entitled to share in the distribution only to the extent of the assets in the hands of the commissioner equitably applicable thereto.

List of claims.
1910, 399, § 9.

SECTION 29. Upon the expiration of the time fixed for the presentation of claims, the commissioner shall make in duplicate a full and complete list of the claims presented, including and specifying such claims as have been rejected by him. One of said lists shall be filed in his office and the other in the office of the clerk of the supreme judicial court for the county where the principal office of the bank is located. Thereafter the commissioner shall make and file in said offices, at least fifteen days before every application to the court for leave to declare a dividend, a supplementary list of the claims presented since the last preceding list was filed, including and specifying such claims as have been rejected by him, and, in any event, he shall make and file the said list at least once in every six months after the filing of the original list, so long as he remains in possession of the property and business of the bank. Said inventory and lists shall be open to inspection at all reasonable times.

Fees and
expenses.
1910, 399, § 10.

SECTION 30. The compensation of the special agents, counsel, employees and assistants, and all expenses of supervision and liquidation, shall be fixed by the commissioner, subject to the approval of the supreme judicial court for the county where the principal office of such bank is located, on notice to such bank, and, upon the certificate of the commissioner, shall be paid out of the funds of the bank in his hands.

Dividends;
objections
to claims.
1910, 399, § 11.

SECTION 31. At any time after the expiration of the date fixed for the presentation of claims, the supreme judicial court, on application of the commissioner, may authorize him to declare out of the funds remaining in his hands, after the payment of expenses, one or more dividends, and, after the expiration of one year from the first publication of notice to creditors, the commissioner may declare a final dividend, such dividends to be paid to such persons, in such amounts, and upon such notice as may be directed by the supreme judicial court for the county where the principal office of such bank was located, or as may be directed by a justice of said court. Objections to any claim not rejected by the commissioner may be made by any person interested by filing a copy of the objections with the commissioner, who shall present the same to the supreme judicial court at the time of the next application for leave to declare a dividend. The court to which such application is made shall thereupon dispose of said objections, or may refer them to a master, and should the objections to any claim be sustained by the court or by the master no dividend thereon shall be paid by the commissioner until the claimant shall have established his claim by the judgment of a court of competent jurisdiction. The court may make proper provision for unproved or unclaimed deposits.

Disposition
of property
deposited
with bank.
1910, 399, § 12.

SECTION 32. Should any bank, at the time when the commissioner takes possession thereof, have in its possession for safe keeping and storage, any jewelry, plate, money, securities, valuable papers or other valuable personal property, or should it have rented any box, safes, or safe deposit boxes, or any part thereof, for the storage of property of any kind, the commissioner may at any time after taking possession as aforesaid cause to be mailed to the person claiming or appearing upon the

books of the bank to be the owner of such property, or to the person in whose name the safe, vault, or box stands, a written notice in a securely closed postpaid, registered letter, directed to such person at his post office address as recorded upon the books of the bank, notifying such person to remove, within a period fixed by said notice and not less than sixty days from the date thereof, all such personal property; and upon the date fixed by said notice, the contract, if any, between such persons and the bank for the storage of said property, or for the use of said safe, vault or box, shall cease and determine, and the amount of the unearned rent or charges, if any, paid by such person shall become a debt of the bank to such person. If the property be not removed within the time fixed by the notice, the commissioner may make such disposition of said property as the supreme judicial court, upon application thereto, may direct; and thereupon the commissioner may cause any safe, vault or box to be opened in his presence, or in the presence of one of his special agents and of a notary public not an officer or in the employ of the bank, or of the commissioner, and the contents thereof, if any, to be sealed up by such notary public in a package upon which the notary public shall distinctly mark the name and address of the person in whose name such safe, vault or box stands upon the books of the bank, and shall attach thereto a list and description of the property therein. The package so sealed and addressed, together with the list and description, may be kept by the commissioner in one of the general safes for boxes of the bank until delivered to the person whose name it bears, or may otherwise be disposed of as directed by the court.

SECTION 33. Whenever any bank of whose property and business the commissioner has taken possession deems itself aggrieved thereby, it may, at any time within ten days after such taking possession, apply to the supreme judicial court for the county where the principal office of the bank is located to enjoin further proceedings; and said court, after citing the commissioner to show cause why further proceedings should not be enjoined, and after hearing the allegations and proofs of the parties and determining the facts, may, upon the merits, dismiss such application or may enjoin the commissioner from further proceedings and direct him to surrender the said business and property to the bank.

Application
to court to
enjoin pro-
ceedings of
commissioner.
1910, 399, § 13.

SECTION 34. Whenever the commissioner has paid to every depositor and creditor of such corporation, not including stockholders, whose claims as such creditors or depositors have been duly approved and allowed, the full amount of such claims, and has made proper provision for unclaimed and unpaid deposits or dividends, and has paid all expenses of the liquidation, he shall call a meeting of the stockholders of the corporation by mailing notice thereof, not less than thirty days prior to the date of the meeting, to each stockholder of record whose address is known, and also by publishing notice of the meeting once a week for four successive weeks in some newspaper of general circulation published in the county where the principal office of the corporation is located, the first publication to be not less than thirty days before the date appointed for the meeting. At such meeting the stockholders shall determine whether the commissioner shall be continued as liquidator and shall wind up the affairs of the corporation, or whether an agent or agents shall be elected therefor, and in so determining the stockholders shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote; and a majority of the stock shall be necessary for the determination. If it is determined to continue the liquidation under the commissioner, he shall complete the liquidation and, after paying the expenses thereof, distribute the proceeds remaining among the stockholders in proportion to their several holdings of stock, in such manner and upon such notice as may be directed by the supreme judicial court. If it is determined to appoint an agent or agents to liquidate, the stockholders shall thereupon select such agent or agents by ballot, a majority of the stock present and voting, in person or by proxy,

Stockholders'
meeting.
1910, 399, § 14.

being necessary to a choice. Such agent or agents shall execute and file with the commissioner a bond to the state treasurer in such amount, with such sureties and in such form as shall be approved by the commissioner, conditioned for the faithful performance of all the duties of his or their trust, and thereupon the commissioner shall transfer and deliver to such agent or agents all undivided, uncollected or other assets of the corporation then remaining in his hands. Upon such transfer and delivery, the commissioner shall be discharged from all further liability to such corporation. Said agent or agents shall convert into cash the assets coming into his or their possession and shall account for and make distribution of the property of the corporation as provided in the case of distribution by the commissioner, except that the expenses thereof shall be subject to the direction and control of the supreme judicial court. In case of the death, removal or refusal to act of any such agents, the stockholders, on the like notice, to be given by the commissioner upon proof of such death, removal or refusal to act being filed with him, and by the like vote hereinbefore provided, may elect a successor, who shall have the same powers and be subject to the same liabilities and duties as the agent originally elected.

Disposition
of funds
remaining in
hands of
commissioner.
1910, 399, § 15.

SECTION 35. Dividends and unclaimed deposits remaining unpaid in the possession of the commissioner for six months after the order for final distribution shall be deposited by him in one or more national banks, savings banks or trust companies to the credit of the commissioner in his official capacity, in trust for the several depositors with, and creditors of, the liquidated bank from which they were received, according to the several interests of the persons entitled thereto. The commissioner shall state annually in his report to the general court the names of banks so taken possession of and liquidated and the amounts of unclaimed and unpaid deposits or dividends with respect to every such bank. The commissioner may pay over the money so held by him to the persons respectively entitled thereto upon being furnished satisfactory evidence of their right to the same. In cases of doubt or of conflicting claims, he may require an order of the supreme judicial court authorizing and directing the payment thereof. He may apply the interest earned by the moneys so held or deposited by him toward defraying the expenses incurred in the payment and distribution of such unclaimed deposits or dividends to the depositors and creditors entitled to receive the same, and he shall include in his annual report to the general court a statement of the interest earned by such unclaimed dividends and deposits.

Enforcement.
1910, 399, § 16.

SECTION 36. The supreme judicial court, or any justice thereof, shall have jurisdiction in equity to enforce the provisions of sections twenty-two to thirty-five, inclusive, and to act upon all applications and in all proceedings thereunder.

FOREIGN BANKS.

Certain foreign
banking asso-
ciations not
to do business
without per-
mission, etc.
1906, 347, § 1.
1910, 343.

SECTION 37. No foreign banking association or corporation shall transact business in this commonwealth until it has received a certificate from the board of bank incorporation, authorizing it so to do. The said board may grant such certificate conditioned upon the performance of such requirements as to auditing as said board may prescribe. Any foreign banking association or corporation transacting business in this commonwealth shall be subject to the supervision of the commissioner, and shall annually, within thirty days after the last business day of October, and at other times during each year on any past day to be specified by the commissioner, make to him in such form as may be prescribed by him a return, signed and sworn to by the treasurer, or the corresponding officer, of the corporation, showing accurately the condition thereof at the close of business on said day. The president and

a majority of the directors shall certify on oath that the report is correct according to their best knowledge and belief.

SECTION 38. The commissioner shall annually at least, and as much oftener as he deems expedient, examine, either personally or by a competent examiner appointed by him, every such association or corporation and thoroughly inspect and examine its affairs to ascertain its financial condition and whether it has complied with the law. The proper charges incurred by reason of any such examination shall be paid by the association or corporation examined.

Annual examination.
1906, 347, § 2.

SECTION 39. For the purposes aforesaid, the commissioner or the person making the examination shall have free access to the vaults, books and papers of any such association or corporation, and may summon the directors, officers or agents thereof, and such other witnesses as he deems necessary, for examination relative to the affairs, transactions and condition of such association or corporation, and for that purpose is empowered to administer oaths.

Commissioner to have access to vaults and may summon witnesses, etc.
1902, 463.
1906, 347, § 3.

SECTION 40. If, upon examination, it appears that such association or corporation is insolvent, or that its capital is impaired, or that its condition is such as to render the continuance of its business hazardous to the public or to those having funds in its custody, the commissioner shall apply, or, if such association or corporation appears to have exceeded its powers or failed to comply with any provision of law, may apply to the supreme judicial court, which shall have jurisdiction in equity on such application, to issue an injunction restraining such association or corporation, in whole or in part, from further proceeding with its business, and to make such further orders or decrees as justice and equity may require. The court may appoint one or more receivers to take possession of its property and effects, subject to such directions as may from time to time be prescribed by the court.

Proceedings for enjoining insolvent corporation from doing business, etc.
1906, 347, § 4.

SECTION 41. Every foreign banking association or corporation which was on June tenth, nineteen hundred and six, transacting business in this commonwealth and which receives any deposits or transacts any business in the manner of a savings bank, or in such a manner as might lead the public to believe that its business is that of a savings bank, shall have a savings department in which all business transacted in such manner in this commonwealth shall be done. All money received in said manner shall be a special deposit and shall be placed in said savings department, and all loans or investments thereof shall be made in accordance with the laws governing the investment of deposits in savings banks.

Savings department.
1907, 533, § 1.

SECTION 42. Such funds and the investments or loans thereof shall be appropriated solely to the security and payment of such deposits, and shall not be mingled with the investments of the capital stock or other money or property belonging to such association or corporation or be liable for the debts or obligations thereof. The accounts and transactions of said savings department shall be kept separate and distinct from the general business of the association or corporation.

Funds, etc., to be kept separate.
1907, 533, § 2.

SECTION 43. All income received from the investment of funds in said savings department, over and above the sums paid to depositors in that department as interest or dividends, shall accrue as profits to the association or corporation and may be transferred to its general funds.

Income.
1907, 533, § 3.

SECTION 44. No such association or corporation described in section forty-one shall have more than two offices or places of business in the commonwealth.

Number of offices in commonwealth limited.

SECTION 45. Sections forty-one to forty-four, inclusive, shall not apply to any deposit received by any such association or corporation in exchange for which deposit, or in exchange for the obligation of a depositor secured by such deposit, there shall be issued, either at the time of receiving the deposit, or thereafter, orders for merchandise for the full amount or any part thereof, and nothing contained in said sections shall be construed to apply to national banks.

Application of sections 41 to 44.
1907, 533, §§ 4, 6.

STATUTES

RELATING TO

SAVINGS BANKS

CHAPTER 168, GENERAL LAWS

STATUTES

RELATING TO

SAVINGS BANKS.

General Laws, Chapter 168.

SAVINGS BANKS.

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GENERAL PROVISIONS.

SECTION 1. The following words when used in this chapter, unless the context otherwise requires, shall have the following meanings:

"Commissioner", the commissioner of banks.

"Such corporation" or "such bank", a savings bank and an institution for savings, incorporated as such in the commonwealth.

Definitions.

R. L. 113, § 10.
1908, 590,
§§ 1, 69.
1919, 350,
§§ 45, 46.

Application of chapter.

1834, 190, § 1.
R. S. 36, § 71.
G. S. 57, § 135.
1876, 203, § 1.
P. S. 116, § 11.
1894, 317, § 11.

May borrow money.

1908, 590, § 67.

May not occupy same office with other bank.

1898, 567, §§ 1, 2.
R. L. 113, § 21.
1902, 169, § 3.
1908, 590, §§ 19, 69.

Officers may not be officers of other banks.

Penalty.
1902, 169, § 4.
1908, 590, §§ 20, 69.

General court may examine.

1828, 96, § 17.
1834, 190, § 12.
R. S. 36, §§ 40, 41, 84.
G. S. 57, §§ 102, 103, 155.
1876, 203, § 27.
P. S. 116, § 12.

SECTION 2. Savings banks incorporated or doing business in the commonwealth shall be subject to this chapter so far as is consistent with the provisions of their respective charters; and any such corporation may, by vote at its annual meeting or at a meeting called for the purpose, accept any provision of this chapter which is inconsistent with its charter. R. L. 113, § 12. 1908, 590, §§ 18, 69.

SECTION 3. If necessary to pay its depositors, such corporation may, by vote of its board of investment, borrow money, and may pledge, as security therefor, its bonds, notes or other securities. A copy of the vote of the board of investment shall be sent forthwith to the commissioner.

SECTION 4. No savings bank shall occupy the same office or suite of offices with a national bank, trust company or other bank of discount, nor any office directly connected by means of doors or other openings in partitions with the office or suite of offices used or occupied by any such national bank, trust company or other bank of discount. Any such corporation violating this section shall be punished by a fine of not more than five hundred dollars. 1 Op. A. G. 569. 3 Op. A. G. 264.

SECTION 5. No president, vice president or treasurer of such corporation shall hold the office or perform the duties of president, vice president, treasurer or cashier of a national bank or trust company or any other bank of discount. Whoever violates the provisions of this section shall be punished by a fine of not more than five hundred dollars.

SECTION 6. Savings banks and their officers shall be subject to examination by a committee of the general court appointed for the purpose, who may examine their affairs and shall have free access to their books and vaults. An officer of any such corporation, or other person having charge of its books and property, who refuses or neglects to exhibit the same to such committee or obstructs its examination thereof, shall be punished by a fine of not more than ten thousand dollars or by imprisonment for not more than three years. 1894, 317, § 12.

R. L. 113, § 13.

1908, 590, §§ 21, 69.

9 Cush. 604.

INCORPORATION.**Agreement of association.**

1908, 590, § 22.

SECTION 7. Twenty or more persons who associate themselves by an agreement in writing for the purpose of forming a savings bank, may, upon compliance with this and the three following sections, become a corporation with all the powers and privileges and subject to all the duties, restrictions and liabilities set forth in all general laws now or hereafter in force relating to such corporations. Said agreement shall set forth that the subscribers thereto associate themselves with the intention of forming a corporation to transact business within the commonwealth, and shall specify:

First. The name by which the corporation shall be known.

Second. The purpose for which it is to be formed.

Third. The city or town and district thereof where its business is to be transacted.

Each associate shall subscribe to the articles his name, occupation, residence and post office address.

Publication of notice, and public hearing.

1908, 590, § 23.

SECTION 8. The subscribers to such agreement shall give notice to the board of bank incorporation of their intention to form such savings bank, and shall apply to said board for a certificate that public convenience and advantage will be promoted by the establishment thereof, which certificate said board may grant. Upon receipt of such application, said board shall furnish the subscribers a form of notice specifying the names, occupation and addresses of the proposed incorporators and the name and location of the proposed savings bank, and assigning a date and place for a public hearing on the application. The subscribers shall publish such notice at least once in each of three successive weeks,

in one or more newspapers designated by said board, and published in or nearest to the city or town where it is desired to establish the savings bank. If said board refuses to issue such certificate, no further proceedings shall be had, but the application may be renewed after one year from the date of such refusal, in which case notice of a public hearing thereon shall be published as herein provided.

SECTION 9. The first meeting of the subscribers to the agreement of association shall be called by a notice signed either by the subscriber to the agreement who is designated therein for the purpose, or by a majority of the subscribers; and such notice shall state the time, place and purposes of the meeting. A copy of the notice shall, seven days at least before the day appointed for the meeting, be given to each subscriber or left at his residence or usual place of business, or deposited in the post office, postage prepaid, and addressed to him at his residence or usual place of business, and another copy thereof and an affidavit by one of the signers that the notice has been duly served shall be recorded with the records of the corporation. If all the incorporators shall in writing, endorsed upon the agreement of association, waive such notice and fix the time and place of the meeting, no notice shall be required. The subscribers to the agreement of association shall hold the franchise until the organization has been completed. At such first meeting, or at any adjournment thereof, the incorporators shall organize by the choice by ballot of a temporary clerk, by the adoption of by-laws and by the election, in such manner as the by-laws may provide, of trustees, a president, a clerk, and such other officers as the by-laws may prescribe. All the officers so elected shall be sworn to the faithful performance of their duties. The temporary clerk shall make and attest a record of the proceedings until the clerk has been chosen and sworn, including a record of the choice and qualification of the clerk.

First meeting
of subscribers.
1908, 590, § 24.

SECTION 10. The president, and a majority of the trustees elected at such first meeting, shall make, sign and make oath to, articles in duplicate, setting forth —

Issue of certificate of incorporation.
1908, 590, § 25;
1909, 491, § 5.
1919, 350, § 53.

(a) A true copy of the agreement of association, the names of the subscribers thereto, and the name, residence and post office address of each of the officers of the company.

(b) The date of the first meeting and the successive adjournments thereof, if any.

One of such certificates shall be submitted to said board of bank incorporation, and the other, together with the records of the proposed corporation, to the commissioner of corporations and taxation, who shall examine the same, and who may require such amendment thereof or such additional information as he may consider necessary. If he finds that the articles conform to the three preceding sections, relative to the organization of the corporation, and that section eight has been complied with, he shall so certify and endorse his approval thereon. Thereupon the articles shall be filed in the office of the state secretary, who upon payment of a fee of five dollars, shall cause the same, with the endorsement thereon, to be recorded, and shall thereupon issue a certificate of incorporation in the following form:

COMMONWEALTH OF MASSACHUSETTS.

Be it known that whereas (the names of the subscribers to the agreement of association) have associated themselves with the intention of forming a corporation under the name of (the name of the corporation), for the purpose (the purpose declared in the agreement of association) and have complied with the provisions of the statutes of this commonwealth in such case made and provided, as appears from the articles of organization of said corporation, duly approved by the commissioner of corporations and taxation and recorded in this office: now, therefore, I (name of the secretary), secretary of the commonwealth of Massachusetts, do hereby certify that said (the

names of the subscribers to the agreement of association), their associates and successors, are legally organized and established as, and are hereby made, an existing corporation under the name of (name of the corporation), with the powers, rights and privileges, and subject to the limitations, duties and restrictions, which by law appertain thereto.

Witness my official signature hereunto subscribed, and the Great Seal of the commonwealth of Massachusetts hereunto affixed, this day of in the year (the date of the filing of the articles of organization).

The secretary shall sign the certificate of incorporation and cause the great seal of the commonwealth to be thereto affixed, and such certificate shall have the force and effect of a special charter. The existence of every such corporation not created by special law shall begin upon the filing of the articles of organization in the office of the state secretary. The secretary shall also cause a record of the certificate of incorporation to be made, and such certificate or such record, or a certified copy thereof, shall be conclusive evidence of the existence of the corporation.

MANAGEMENT.

Meetings.

1834, 190, § 4.
R. S. 36, § 75.
G. S. 57, § 139.
1876, 203, § 5.
P. S. 116, § 16.
1884, 150.
1894, 317, § 16.
R. L. 113, § 17.
1908, 590,
§§ 26, 69.

Members.

1834, 190, § 5.
R. S. 36, § 76.
G. S. 57, § 140.
1876, 203, § 6.
P. S. 116, § 17.
1888, 120.
1890, 222.
1894, 317, § 17.
R. L. 113, § 18.
1908, 590,
§§ 27, 69.

Officers.

1834, 190,
§§ 2, 3.
R. S. 36, §§ 72,
73.
G. S. 57,
§§ 136, 137.
1872, 293, § 3.
1876, 203,
§§ 2, 3, 10.
P. S. 116,
§§ 13, 21.
1889, 161.
1894, 317,
§§ 13, 22.
R. L. 113,
§§ 14, 27.
1908, 590,
§§ 28, 69.
1910, 622, § 4.

Election of officers.

1834, 190, § 3.
R. S. 36, § 74.
G. S. 57, § 138.

SECTION 11. The annual meeting of such corporation shall be held at such time as the by-laws direct. Special meetings may be held by order of its trustees; and its clerk shall give notice of special meetings upon written request of ten members of the corporation. Notice of all meetings shall be given by advertisement in a newspaper published in the county where the corporation is located, and by mailing to each incorporator at least seven days before such meeting a written or printed notice thereof. The names of those present at meetings shall be entered in the records of the corporation.

SECTION 12. Such corporation may, at a legal meeting, elect by ballot any citizen of the commonwealth to be a member thereof; and any person may, at an annual meeting, cease to be a member, if, at least three days before such meeting, he has filed with the clerk a written notice of his intention so to do. If a member fails to attend two consecutive annual meetings, his membership may, by vote of the corporation at its next annual meeting, be declared forfeited. Such action and vote recorded shall be evidence of forfeiture of membership. No person shall continue to be a member after removing from the commonwealth.

SECTION 13. The officers of such corporation shall be a president; one or more vice presidents, a board of investment of not less than three, a board of not less than eleven trustees from which the officers hereinbefore mentioned shall be chosen, a treasurer, a clerk and such other officers as it may find necessary for the management of its affairs. All officers shall be sworn, and shall hold their several offices until others are elected, and qualified in their stead; and a record of every such qualification shall be filed and preserved by the clerk of the corporation. The trustees shall be elected from the incorporators, and no person shall hold an office in two such corporations at the same time. Only one of the persons holding the offices of president, treasurer or clerk shall at the same time be a member of the board of investment. The treasurer, vice treasurer or assistant treasurer shall not be clerk either of the corporation or of the trustees. Not more than three fifths of the members of any such corporation shall be officers thereof at any one time.

211 Mass. 252.

220 Mass. 300.

SECTION 14. The officers of such corporation, except the board of investment, treasurer, vice treasurer and assistant treasurer, shall be elected at its annual meeting, anything in its charter to the contrary notwithstanding. The board of investment, treasurer, vice treasurer

and assistant treasurer shall be elected by the trustees and shall hold office during their pleasure. If any office becomes vacant during the year, the trustees may elect a person to fill it until the next annual meeting; and if a person elected does not, within thirty days thereafter, take the oath, his office shall thereupon become vacant. The clerk of the corporation shall, within ten days after the meeting, notify all persons elected to office; and within thirty days thereafter shall publish in a newspaper published in the county where the corporation is established a list of all persons who have taken the oath of office to which they were elected and a list of the members of the corporation. Said lists shall be included in the annual report of the corporation to the commissioner, and shall be kept on file in his office for inspection by the public. A clerk who neglects to give such notice or make such publication, or who makes a false publication, and a person who knowingly publishes or circulates, or knowingly causes to be published or circulated, a printed notice containing the name of a person as an officer of such corporation who has not taken the oath of office, shall be liable to a penalty of fifty dollars. The clerk shall transmit to the commissioner a copy of all by-laws adopted and all amendments thereof. Upon the election as trustee of any such bank of a person who has not been theretofore a trustee thereof, the clerk shall send forthwith to the commissioner the name and address of such person, and the commissioner shall thereupon transmit to such person a copy of the laws relating to savings banks.

SECTION 15. A regular meeting of the board of trustees of such corporation shall be held at least once in three months, for the purpose of receiving the report of its treasurer and for the transaction of other business. Special meetings may be called by the president, and the clerk shall give notice of special meetings upon written request of three trustees. A quorum shall consist of not less than seven trustees, but less than a quorum may adjourn from time to time or until the next regular meeting. At each regular meeting the trustees shall cause to be prepared a statement showing the condition of the corporation as it appears upon its books, in the form of a trial balance of its accounts. Such statement shall be entered in a book which shall form a part of the records of the bank and a copy of such statement shall be posted in a conspicuous place in its banking room, where it may easily be read by the public, and shall there remain until the next regular meeting of said board. At each regular meeting of the trustees the board of investment shall submit a detailed written statement of all loans made by the corporation, all changes in the property or security pledged or the rate of interest charged therefor, all purchases or sales of bonds, stocks and notes, all payments by the bank of taxes or insurance on mortgaged property since the last regular meeting of the trustees, and all loans on which interest is more than three months overdue. This statement, or such part thereof as the meeting may determine, shall be read to the trustees present and then shall be filed and preserved with the records of the bank. A record shall be made at each meeting of the transactions of the trustees and of the names of those present. The trustees shall cause to be published semi-annually in a newspaper published in the county where the corporation is located the names of the president, treasurer, members of the board of investment and other officers of the corporation charged with the duty of investing its funds. The first publication thereof shall be within thirty days after the election of said officers, and the second publication at the expiration of six months therefrom.

SECTION 16. Meetings of the board of investment of such corporation shall be held at least once in each month. The board shall approve all loans made by the corporation, all changes in the property or security pledged or the rates of interest charged therefor, and all pur-

1864, 126.
1868, 49.
1876, 203, § 4.
P. S. 116, § 15.
1893, 254, § 2.
1894, 317, § 15.
R. L. 113, § 16.
1902, 169, § 1.
1908, 590,
§§ 29, 69.
1910, 622, § 5.
220 Mass. 300.

Meetings of
trustees.
1876, 203, § 7.
P. S. 116, § 18.
1882, 50.
1888, 96.
1894, 317, § 18.
R. L. 113, § 19.
1908, 590,
§§ 30, 69.
1910, 622, § 6.
1912, 357.

Meetings of
the board of
investment.
1908, 590, § 31.

chases or sales of bonds, stocks and notes, and shall perform such other duties as the by-laws may prescribe. A record shall be made at each meeting of the transactions of the board and the names of those present. The members of said board may approve changes of collateral on loans made under subdivision (e) of clause ninth of section fifty-four either by a vote of said board or by signing a statement setting forth all such changes.

Auditing
committee.
1908, 590, § 32.
1910, 622, § 7.

SECTION 17. At the first meeting after their election, the trustees shall appoint an auditing committee of not less than three trustees, of which committee neither the treasurer nor more than one member of the board of investment shall be members, who shall at least once during the twelve months following their appointment, and oftener if required by the commissioner, cause to be made at such time as the commissioner may determine, in such form and manner and by such certified public accountant not connected with said bank as shall first be approved by the commissioner, a thorough examination and audit of the books, securities, cash, assets, liabilities, income and expenditures of the corporation, including an accurate trial balance of the depositors' ledger, for the period elapsed since the preceding examination and audit, or for such other period as the commissioner may prescribe. The said accountant shall personally direct and supervise the making of said examination and audit, except that, with the consent of the commissioner, he may verify a trial balance of the depositors' ledger made by the bank within six months, and, with the consent of the commissioner, such assistance as shall be necessary may be furnished by the bank. The accountant shall report to the auditing committee the result of his examination and audit, and at the next meeting of the trustees thereafter the committee shall render a report, which shall be read, stating in detail the nature, extent and result of the examination and audit, and their report and the accountant's report shall be filed and preserved with the records of the corporation. The committee shall file with the commissioner a copy of the report of the accountant within ten days after its completion. The certified public accountant and the auditing committee shall certify and make oath that the reports made by them under this section are correct according to their best knowledge and belief. If the committee fails to cause to be made an examination and audit, including an accurate trial balance of the depositors' ledger as herein provided, the commissioner shall cause them to be made by a certified public accountant in such form and manner as he may prescribe, and the expense thereof shall be paid by the bank.

Audit by
commissioner
of banks.
1912, 629, § 1.

SECTION 18. The commissioner may, when so requested by the auditing committee of any such bank, make a thorough examination and audit of the books, securities, cash, assets, liabilities, income and expenditures of such bank, including an accurate trial balance of the depositors' ledgers, for the period elapsed since the preceding examination and audit, or for such other period as the commissioner may prescribe, or he may verify a trial balance of the depositors' ledgers made by the bank within six months, and may avail himself of such assistance from the officers and employees as he may deem proper. The expense of the audit only shall be borne by the bank, and such examination and audit shall be in place of the one required to be made by a certified public accountant as provided by the preceding section.

Report of
audit.
1912, 629, § 2.

SECTION 19. The person in charge of the examination shall render to the commissioner a report of his findings, in such form as the commissioner may prescribe, and a copy thereof shall be rendered to the auditing committee within ten days after the original has been submitted to the commissioner, together with a notice of the amount of the fee to be paid, which shall be due and payable within thirty days after the date of notice. Upon failure of any such corporation to pay the required fee within the time prescribed herein; the commissioner shall re-

port the facts to the attorney general, who shall immediately bring an action for the recovery of the fee.

SECTION 20. The commissioner, in order to carry into effect the two preceding sections may employ such additional assistance, subject to the approval of the governor and council, as he deems necessary.

Additional
assistance
for audit.

1912, 629, § 3.

SECTION 21. All moneys collected and received by the commissioner under section nineteen shall be paid to the commonwealth.

1912, 629, § 4.

Money
received to be
paid to com-
monwealth.

SECTION 22. The board of trustees shall authorize the compensation, if any, to be paid to committees of said board. At each regular meeting of the board the treasurer shall report in detail all amounts paid by the corporation since the last regular meeting for services, fees or otherwise, to a member of the board of trustees or to any attorney of the corporation.

1908, 590, §§ 33, 69.

Compensation
of committees.
1876, 203, § 11.
P. S. 116, § 22.
1894, 317, § 23.
R. L. 113, § 28.

SECTION 23. If a trustee fails both to attend the regular meetings of the board and to perform any of the duties devolving upon him as such trustee for six consecutive months, his office may be declared by the board at the next regular meeting to be vacant. A record of such vacancy shall be entered upon the books of the corporation, and a transcript of such record shall be sent by mail to the person whose office is thus made vacant. The office of any trustee who takes the benefit of any law of bankruptcy or insolvency, or of the oath for the relief of poor debtors, shall thereby be vacated. The commissioner may recommend the removal of any trustee, officer or employee who in his opinion has abused his trust, or has been negligent in the performance of his duties, and upon such recommendation the trustees may remove or discharge such trustee, officer or employee. The trustees shall act upon such recommendation within thirty days after receiving the same.

Office of
trustee, when
vacated.
1876, 203, § 7.
P. S. 116, § 18.
1882, 50.
1888, 96.
1894, 317, § 18.
R. L. 113, § 19.
1908, 590.
§§ 34, 69.
1910, 622, § 8.

SECTION 24. Every treasurer, vice treasurer and assistant treasurer shall give bond to the satisfaction of the trustees in such form as the commissioner may prescribe, for the faithful performance of his duties and shall file with the commissioner an attested copy thereof, with a certificate of its custodian that the original is in his possession. Such officer shall notify the commissioner of any change thereafter made therein. If he fails, within ten days after the date thereof, to file a copy of his bond, or to notify the commissioner of any change therein, he shall be liable to a penalty of fifty dollars. The commissioner shall keep a record showing when such bonds expire, and the changes so notified, and, when in his judgment it is necessary for the security of the depositors, he shall require a new bond in such amount and with such sureties as he may approve. Said officers shall give new bonds at least once in five years. The trustees shall require bonds of such other officers or employees, and in such amounts, as they deem necessary.

Treasurer to
give bond.
1876, 203, § 3.
1880, 182.
P. S. 116, § 14.
1886, 93.
1889, 180.
1893, 254, § 1.
1894, 317, § 14.
R. L. 113, § 15.
1908, 590.
§§ 35, 69.
129 Mass. 73.
169 Mass. 500.

SECTION 25. Such corporation shall carry on its usual business at its banking house only, and a deposit shall not be received or payment on account of deposits be made by the corporation or by a person on its account in any other place than at its banking house, which shall be in the town where the corporation is established; except that the corporation may, with the written permission of and under regulations approved by the commissioner, maintain and establish one or more branch offices or depots in the town where its banking house is located, or in towns not more than fifteen miles distant therefrom where there is no savings bank at the time when such permission is given; but, in order to encourage saving among school children, the corporation may, with the written consent of and under regulations approved by the commissioner and, in the case of public schools, by the commissioner and the school committee in the town where the school is situated, arrange for the collection of savings from the school children by the prin-

Where business
may be trans-
acted.
School
children.
1884, 263, § 1.
1889, 91, § 1.
1894, 317, § 19.
R. L. 113, § 20.
1908, 590.
§§ 36, 69.
1911, 211.
1918, 11.

principal or teachers of such schools or by collectors. All moneys so collected shall be entered on an individual deposit card furnished by the corporation, but the total collections received by the corporation from any one principal or teacher may be entered in the name of such principal or teacher as trustee. When the amount deposited by any one pupil and credited on the deposit card equals the minimum amount upon which interest is allowed the corporation shall issue a pass book to such pupil and thereafter, when the amount deposited by the pupil and credited on the deposit card equals the sum of one dollar, it shall be transferred to the deposit book by the corporation. The principal, teacher or person authorized by the corporation to make collections from school children shall be deemed to be the agent of the corporation and the corporation shall be liable to the pupil for all deposits made with such principal, teacher or other person and entered upon the deposit card, the same as if the deposit were made by the pupil directly with the corporation. The annual meeting, and meetings of the trustees or board of investment of such corporation, may be held at any place in the town where its banking house is located.

Annual report to commissioner.

1834, 190, § 11.
R. S. 36, § 82.
1846, 86, § 1.
G. S. 57, § 148.
1862, 120; 224,
§§ 8, 9.
1866, 192, § 10.
1867, 203, § 1.
1874, 84.
1875, Res. 68.
1876, 203, § 23.
1877, 159.
P. S. 116, § 40.
1888, 127.
1894, 317, § 42.
R. L. 113, § 47.
1902, 169, § 2.
1908, 590,
§§ 37, 69.

Return of unclaimed deposits.

1887, 319.
1894, 317, § 45.
R. L. 113, § 50.
1908, 590,
§§ 39, 69.

SECTION 26. The treasurer of such corporation shall, annually within twenty days after the last business day of October, make a report to the commissioner in such form as he may prescribe, showing accurately the condition of such corporation at close of business on that day, specifying the following particulars: name of corporation and names of incorporators and officers; place where located; amount of deposits; amount of each item of other liabilities; public funds, including all United States, state, county, city, town and district bonds; railroad bonds, street railway bonds, telephone bonds, and stock in banks and trust companies, stating each particular kind, and the par value, estimated market value and amount invested in each; loans to counties, cities, towns or districts; loans on mortgages of real estate; loans on personal security, stating amount of each class separately; estimated value of real estate, and amount invested therein; cash on deposit in banks and trust companies, with the names of such banks and trust companies and the amount deposited in each; cash on hand; the whole amount of interest or profits received, and the rate and amount of each semi-annual and extra dividend for the previous year; the times for the dividends fixed by the by-laws; the rates of interest received on loans; the total amount of loans bearing each specified rate of interest; the number of outstanding loans of an amount not exceeding three thousand dollars each, and the aggregate amount of the same; the number of open accounts; the number and amount of deposits received; the number and amount of withdrawals; the number of accounts opened and the number of accounts closed, severally, during the previous year; and the annual expenses of the corporation, together with such other information as the commissioner may require. The president, treasurer and auditing committee shall certify on oath that such reports are correct according to their best knowledge and belief.

SECTION 27. The treasurer of such corporation shall, within twenty days after the last business day of October in the year nineteen hundred and twenty-two and in every fifth year thereafter, return to the commissioner a sworn statement of the name, the amount standing to his credit, the last known residence or post office address, and the fact of death, if known to him, of each depositor who shall not have made a deposit therein or withdrawn therefrom any part of his deposit, or any part of the interest thereon, during the twenty years last preceding such last business day of October; he shall also give notice of such deposits in one or more newspapers published in or nearest to the town where such corporation is located, and in one or more newspapers published in or nearest to the town where the depositor was last known to reside, at least once in each of three successive weeks; but this section

shall not apply to a deposit made by or in the name of a person known to an officer of the corporation to be living, to a deposit the deposit book of which has during such period been brought into the bank to be verified or to have interest added, or to a deposit which, with the accumulations thereon, shall be less than twenty-five dollars. The treasurer of a savings bank who neglects or refuses to make the sworn return required by this section shall be punished by a fine of one hundred dollars. The commissioner shall incorporate in his annual report, or in a supplementary report, each return made to him as provided in this section.

SECTION 28. During one or more of the first ten months of the year nineteen hundred and twenty-two and of each third year thereafter such corporations shall call in the books of deposit of their depositors for verification, under rules to be prescribed by their respective boards of investment, duly approved by the commissioner.

1896, 193.

R. L. 113, § 53.

1908, 590, §§ 43, 60.

Books of deposit to be verified.
1888, 40.
1894, 317, § 47.

SECTION 29. No president, treasurer, member of a board of investment, or officer of such corporation charged with the duty of investing its funds, shall borrow or use any portion thereof, be surety for loans to others or, directly or indirectly, whether acting individually or as trustee holding property in trust for another person, be an obligor for money borrowed of the corporation; and if such member or officer, either individually or as trustee holding property in trust for another person, becomes the owner of real estate upon which a mortgage is held by the corporation, his office shall become vacant at the expiration of sixty days thereafter unless he has ceased to be the owner of the real estate or has caused said mortgage to be discharged or assigned. This section shall not apply to loans held by such corporation on June eighth, nineteen hundred and eight, or to renewals thereof, or to the deposit of money, as provided in section fifty-four, in banks or trust companies of which one or more trustees or officers of such corporation are directors.

SECTION 30. Such corporation, or a person acting in its behalf, shall not directly or indirectly negotiate, take or receive a fee, brokerage, commission, gift or other consideration for or on account of a loan made by or on behalf of such corporation, other than appears on the face of the note by which such loan purports to be made; but this section shall not prohibit a reasonable charge for services in the examination of real estate or titles, and the preparation of conveyances to such corporation as security for its loans. Whoever violates any provision of this section shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year, or both.

No officer, etc., to borrow funds of corporation or become surety.

1834, 190, § 9.
R. S. 36, § 80.
1858, 48.
G. S. 57, § 146.
1876, 203, § 10.
P. S. 116, § 21.
1889, 161.
1894, 317, § 22.
R. L. 113, § 27.
1908, 590,
§§ 44, 60.
4 Op. A. G.
297.

Savings banks, etc., not to receive brokerage, etc., on account of a loan.
1872, 293,
§§ 1, 5.
1876, 203, § 11.
P. S. 116, § 22.
1894, 317, § 23.
R. L. 113, § 28.
1908, 590,
§§ 45, 60.

DEPOSITS.

SECTION 31. Such corporation may receive on deposit from any person not more than two thousand dollars; and may allow interest upon such deposits, and upon the interest accumulated thereon, until the principal, with the accrued interest, amounts to four thousand dollars; and thereafter upon no greater amount than four thousand dollars; but this section shall not apply to deposits by a religious or charitable corporation or labor union, or credit union, or in the name of a judge of probate, or by order of any court, or on account of a sinking fund of a town in the commonwealth or of any trust fund held by a town for public uses.

Amount of deposits limited.
1834, 190, § 6.
R. S. 37, § 77.
G. S. 57, § 141.
1874, 393.
1875, 100.
1876, 203, § 8.
P. S. 116, § 19.
1889, 86;
449, § 1.

1908, 590, §§ 46, 60.
1909, 491, § 7.

1894, 317, § 20.
1917, 144.
1919, 11.

R. L. 113, § 25.
231 Mass. 367.
4 Op. A. G. 437.

SECTION 32. The treasurer of such corporation, at least once in each year, shall send notice by mail to each depositor who for the six

When depositor is to be notified.

1871, 262, § 1.
1876, 203, § 21.
P. S. 116, § 33.
1894, 317, § 35.
R. L. 113, § 40.

Deposit of securities issued by the United States.

months last preceding has not been entitled to a dividend on the whole amount standing to his credit because the same exceeds the amount on which interest is allowed, specifying the amount not entitled to dividend.

1908, 590, §§ 47, 69.

SECTION 33. Savings banks may, with the written permission of and under regulations approved by, the commissioner, receive and hold for their depositors any securities issued by the United States.

1919, 60.

If deposit is made in trust, name and residence of beneficiary to be disclosed.

1876, 203, § 20.
P. S. 116, § 32.
1894, 317, § 34.
R. L. 113, § 39.
1908, 590,
§§ 48, 69.

SECTION 34. If a deposit is made with such corporation by one person in trust for another, the name and residence of the person for whom it is made shall be disclosed, and it shall be credited to the depositor as trustee for such person; and if no other notice of the existence and terms of a trust has been given in writing to the corporation, the deposit, with the interest thereon, may in case of the death of the trustee be paid to the person for whom such deposit was made, or to his legal representative; or if such deposit does not exceed fifty dollars, it may be paid to a minor or to either of the parents of such minor, and the same shall be a valid payment.

142 Mass. 1.

146 Mass. 418.

164 Mass. 583.

Depositor may set off amount of his deposit in proceedings by the corporation.

1878, 261, § 1.
P. S. 116, § 30.
1894, 317, § 32.
R. L. 113, § 37.
1908, 590,
§§ 49, 69.
128 Mass. 512.
129 Mass. 528.

SECTION 35. A person indebted to such corporation, whether his indebtedness is secured or not, may, in a proceeding for the collection thereof or for the enforcement of any security therefor, recoup or set off the amount of a deposit held and owned by him at the time of the commencement of such proceeding, and of the interest due thereon, except a deposit purchased or acquired from another after the commencement of proceedings in equity to restrain the corporation from doing its actual business, and section three of chapter two hundred and thirty-two shall not apply to such set-off; but a judgment shall not be rendered against such corporation in favor of the defendant or defendants for any balance found due from the plaintiff if the commissioner has taken possession of such corporation, as provided in section twenty-two of chapter one hundred and sixty-seven.

Interpleader.
1876, 203, § 19.
1877, 179.
P. S. 116, § 31.
1894, 317, § 33.
R. L. 113, § 38.
1908, 590,
§§ 50, 69.
125 Mass. 593.
140 Mass. 260.
141 Mass. 305.
162 Mass. 455.
219 Mass. 597.

SECTION 36. If, in an action against such corporation for money on deposit therewith, it appears that the same fund is claimed by another party than the plaintiff, whether by the husband or wife of the plaintiff, or otherwise, the court in which such action is pending, on the petition of the corporation and on such notice to the plaintiff and to such claimants as the court considers proper, may order the proceedings to be amended by making such claimants defendants thereto; and thereupon the rights and interests of the several parties in and to said funds shall be heard and determined. Such deposits may remain with the corporation until final judgment, and shall be paid as the court orders, or may be paid into court to await final judgment; and when so paid into court, the action shall be discontinued as to such corporation and its liability for such deposit shall cease. The taxable costs of the corporation in such actions shall be in the discretion of the court, and may be charged upon the fund.

Special trust fund for parks, shade trees, etc.

1875, 174, § 1.
P. S. 116, § 35.
1894, 317, § 37.
R. L. 113, § 42.
1908, 590,
§§ 51, 69.
153 Mass. 462.

SECTION 37. Such corporation may receive on deposit to any amount funds in trust for the purpose of setting out shade trees in streets and parks and improving the same, purchasing land for parks or playgrounds and improving the same, maintaining cemeteries or cemetery lots or erecting and maintaining drinking fountains in public places. Such funds shall be placed on interest in such corporation, and the interest and dividends arising therefrom shall be paid semi-annually to such town or cemetery authorities as may be designated by the donors of said funds or by the will of the person bequeathing the same, and shall be expended by such authorities within their respective towns or cemeteries for any or all of said purposes, as may be specified by such donors

or such will. No part of the principal of such funds shall be withdrawn or expended, and the same shall be exempt from attachment or levy on execution.

SECTION 38. A judge of probate, after notice and a hearing, may authorize an executor, administrator or trustee holding money or other personal property for any of the purposes mentioned in the preceding section, to deposit such money, or the avails arising from such personal property, in any such corporation designated by the judge, to be held by it in the manner and for the uses and purposes mentioned in said section and upon the trusts upon which the executor, administrator or trustee held the same; and upon the deposit of such money and its receipt and acceptance by such corporation the executor, administrator or trustee shall be discharged from further care and responsibility thereafter.

Probate court may authorize executors to deposit such funds.

1877, 182.
P. S. 116, § 36.
1894, 317, § 38.
R. L. 113, § 43.
1908, 590,
§§ 52, 69.
139 Mass. 353.
153 Mass. 462.

SECTION 39. The funds held in accordance with the two preceding sections shall be known as the "Shade Tree and Cemetery Fund", and the treasurer of the corporation with which they are deposited shall give a receipt therefor to the depositor, and shall send by mail or deliver, in January in each third year after the first deposit to the mayor of a city or the chairman of the selectmen of a town within the limits of which the interest and dividends of such fund are to be expended, a written statement, signed by such treasurer, of the amount of funds on deposit for the purposes aforesaid, which shall be recorded in the office of the city or town clerk.

Statement of amount of such funds to be made every third year.

1875, 174, § 2.
P. S. 116, § 37.
1894, 317, § 39.
R. L. 113, § 44.
1908, 590,
§§ 53, 69.

SECTION 40. If a corporation holding such fund surrenders its charter or ceases to do business, the supreme judicial court may order said fund to be transferred and deposited in another such corporation, upon the same trusts; and if the laws authorizing such corporations are repealed, the court may order such fund to be transferred and deposited in such banking institutions as it may find proper, to be held upon the trusts aforesaid.

When funds are to be transferred.

1875, 174, § 3.
P. S. 116, § 38.
1894, 317, § 40.
R. L. 113, § 45.
1908, 590,
§§ 54, 69.

SECTION 41. Subject to section twenty-eight of chapter two hundred and six, the probate court, court of insolvency or other court, respectively, shall, upon the application of a person interested or of the attorney general, and after public notice, order and decree that all amounts of money deposited with such corporation, by authority of any of said courts or of any judge thereof, and which shall have remained unclaimed for more than twenty years from the date of such deposit, with the increase and proceeds thereof, shall be paid to the state treasurer, to be held and used by him according to law, subject to be repaid to the person having and establishing a lawful right thereto, with interest at the rate of three per cent per annum from the time when it is so paid to said treasurer to the time when it is paid over by him to such person, as provided in the following section.

Unclaimed deposits.

Deposits by order of the court.

1889, 449, § 2.
1894, 317, § 50.
R. L. 113, § 55.
1908, 590,
§§ 55, 69.
1918, 257,
§ 369.
1919, 5.
1920, 2.

SECTION 42. The probate court shall, upon the application of the attorney general and after public notice, order and decree that all amounts of money deposited with any such bank which shall have remained unclaimed for more than thirty years and which are credited to depositors who cannot be found and who have not made a deposit on account of the same and have not withdrawn any part of the principal or interest thereof, and on whose pass book the interest has not been added for a period of thirty years, and for which no claimant is known, shall, with the increase and proceeds thereof, be paid to the state treasurer to be held subject to be paid to the person establishing a lawful right thereto, in accordance with the following section, with interest at the rate of three per cent per annum from the time when it was so paid to the said treasurer to the time when it is paid by him to such person. After six years from the date when such proceeds were paid to the said treasurer the same may be used as a part of the ordinary revenue of the commonwealth. Any person may, however, establish his claim at any

Unclaimed deposits to be paid to state treasurer.

1907, 340, § 1.
1908, 590,
§§ 56, 69.
1916, 198.
201 Mass. 23.

time after the expiration of the six years above mentioned, and any claim so established shall be paid from the ordinary revenue of the commonwealth.

How such
deposits may
be reclaimed.
1907, 340, § 2.
1908, 590,
§§ 57, 69.
1912, 70.
1913, 130.
201 Mass. 23.

SECTION 43. Any person claiming a right to money deposited with the state treasurer under either of the two preceding sections, or section fifty of chapter one hundred and seventy-two, may establish the same by a petition to the probate court in which the decree was entered; provided, that in cases where claims amount to less than fifty dollars, the claims may be presented to the state auditor, who shall examine the same and allow and certify for payment such as may be proved to his satisfaction.

When reduction
of deposits may
be ordered.
1910, 622, § 11.

SECTION 44. The supreme judicial court or any justice thereof sitting in equity may, on petition of a savings bank or the trustees of a savings bank, approved by the commissioner, approve or order a reduction of the deposit account of each depositor therein, whenever the value of its assets is less than the total amount of its deposits so as to divide the loss equitably among said depositors. If thereafter the bank shall realize from said assets a greater sum than was fixed by said order of reduction, such excess shall be divided among the depositors whose accounts have been reduced, but to the extent of such reduction only.

Guaranty fund
to be created
and main-
tained.
1876, 203, § 13.
P. S. 116, § 24.
1894, 317, § 25.
R. L. 113, § 30.
1908, 590,
§§ 59, 69.
1 Op. A. G.
303, 538.

SECTION 45. The trustees shall, immediately before making each semi-annual dividend, set apart as a guaranty fund from the net profits which have accumulated during the six months last preceding not less than one eighth nor more than one fourth of one per cent of the whole amount of deposits, until such fund amounts to five per cent thereof, and no additions shall be made to it when it amounts to five per cent, or more, thereof. Such fund shall thereafter be held to meet contingencies or losses in its business from depreciation of its securities, or otherwise. When such fund amounts to less than five per cent of the whole amount of deposits, no losses shall be met therefrom except upon written approval of the commissioner.

Transfers to
guaranty fund.
1912, 122.

SECTION 46. Said trustees, subject to the written approval of the commissioner, may transfer from the profit and loss account to the guaranty fund such amounts, and at such times, as they deem for the best interests of the depositors if thereby such guaranty fund is not increased beyond the limit fixed by the preceding section.

Manner of
division of
income.
1834, 190, § 10.
R. S. 36, § 81.
1859, 181, § 1.
G. S. 57, § 147.
1876, 203, § 14.
P. S. 116, § 25.
1894, 317, § 26.
1897, 109.
R. L. 113, § 31.
1908, 590,
§§ 60, 69.
1913, 116,
§§ 2, 4;
326, § 1.

SECTION 47. The income of such corporation, after deducting the reasonable expenses incurred in the management thereof, the taxes paid, and the amounts set apart for the guaranty fund, shall be divided among its depositors, or their legal representatives, at times fixed by its by-laws, in the following manner: an ordinary dividend shall be declared every six months from income which has been earned, and which has been collected during the six months next preceding the date of the dividend, except that there may be appropriated from the earnings remaining undivided after declaration of the preceding semi-annual dividend an amount sufficient to declare an ordinary dividend at a rate not in excess thereof; but the total dividends declared during any twelve months shall not exceed the net income of the corporation actually collected during such period, except upon written approval of the commissioner. Dividends may be declared oftener than every six months as provided in section seventeen of chapter one hundred and sixty-seven. Dividends shall be treated as deposits, and if not withdrawn shall be considered, in computing the dividend next following, as having been on deposit for the preceding interest period. Ordinary dividends shall not exceed the rate of five per cent a year. No ordinary dividend shall be declared or paid except as above provided, nor, except as otherwise provided by section seventeen of chapter one hundred and sixty-seven, upon a deposit of less than three months' standing; but, if the by-laws so provide, ordinary dividends may be declared and paid upon deposits of one, two, four or five months' standing, computed as provided in

said section. The corporation may, by its by-laws, provide that a dividend shall not be declared or paid on less than three dollars, or on the fractional part of a dollar.

SECTION 48. Immediately before a meeting of the trustees called to consider the declaration of a dividend, the auditing committee shall make or cause to be made an examination of the income, profits and expenses for the six months' period last preceding the date of the declaration of the dividend, and shall report to the trustees the estimated net earnings of said period. No dividend shall be paid unless declared and authorized by the trustees after said examination, and a copy of said report shall be filed and preserved with the records of the corporation.

1908, 590, §§ 61, 69.

1919, 326, § 1.

1920, 414.

Payment of dividends to be authorized by trustees.
1859, 189, §§ 2, 3.
G. S. 57, § 147.
1876, 203, § 17.
P. S. 116, § 28.
1894, 317, § 29.
R. L. 113, § 34.

SECTION 49. If, at the time provided by the by-laws for making ordinary dividends, the net income for the interest period last preceding, over and above the amount to be set apart for the guaranty fund, does not amount to one and one half per cent of the deposits, if said period is six months, or a proportional percentage thereof, if the period is less than six months, no dividend of the profits shall be declared or paid, except such as shall be approved in writing by the commissioner.

1908, 590, §§ 62, 69.

1919, 326, § 1.

When dividend is not to be paid.
1876, 203, § 15.
1880, 150.
P. S. 116, § 26.
1894, 317, § 27.
R. L. 113, § 32.

SECTION 50. Whenever the guaranty fund and undivided net profits together amount to ten and one quarter per cent of the deposits after an ordinary dividend is declared, an extra dividend of not less than one quarter of one per cent shall be declared on all amounts which have been on deposit for the six months, or not less than one eighth of one per cent on all amounts which have been on deposit for the three months, preceding the date of such dividend, and such extra dividend shall be paid on the day on which the ordinary dividend is paid; but in no case shall the payment of an extra dividend as herein provided reduce the guaranty fund and undivided profits together to less than ten per cent of the deposits.

SECTION 51. The principal deposits in such corporation may be withdrawn at such time and in such manner as the by-laws direct, but the treasurer of such corporation may at any time require a depositor to give a notice not exceeding ninety days of his intention to withdraw the whole or any part of his deposit. Deposits so withdrawn shall be deducted in each case from the amounts last deposited.

P. S. 116, § 29.
1894, 317, § 30.

R. L. 113, § 35.
1908, 590, §§ 64, 69.

127 Mass. 183.
141 Mass. 33.

When extra dividends shall be paid.
1876, 203, § 16.
P. S. 116, § 27.
1888, 355.
1894, 317, § 28.
1896, 231.
R. L. 113, § 33.
1908, 590, §§ 63, 69.

SECTION 52. Such corporation may pay an order, drawn by a person who has funds on deposit to meet the same, notwithstanding the death of the drawer, if presentation is made within thirty days after the date of such order; and at any time if the corporation has not received written notice of the death of the drawer.

R. L. 113, § 36.

1908, 590, §§ 65, 69.

1894, 317, § 31.
211 Mass. 532.

Withdrawal of deposits.
1834, 190, § 10.
R. S. 36, § 81.
G. S. 57, § 147.
1876, 203, § 18.

Payment on order after death of drawer.
1885, 210, § 2.

SECTION 53. Money deposited in the name of a minor may, at the discretion of the board of investment, or of the treasurer if authorized by said board, be paid to such minor or to the person making such deposit; and the same shall be a valid payment.

1876, 203, § 18.
P. S. 116, § 29.

1894, 317, § 30.
R. L. 113, § 35.

1908, 590, §§ 66, 69.
152 Mass. 49.

Payments to minors.
1856, 361.
G. S. 57, § 154.

INVESTMENTS.

Investments
authorised.SECTION 54. Deposits and the income derived therefrom shall be
invested only as follows:

R. L. 113, § 28.

P. S. 116, § 20.

1894, 317, § 21.

1908, 590, §§ 68, 69.

134 Mass. 177.

First mort-
gages of real
estate.

1834, 190, § 7.

R. S. 36, § 78.

G. S. 57,

§§ 142, 143.

1872, 293, § 3.

1876, 203,

§ 9, cl. 1, § 12.

P. S. 116,

§ 20, cl. 1, § 23.

1894, 317,

§ 21, cl. 1, § 24.

R. L. 113,

§ 26, cl. 1, § 29.

1908, 590,

§ 68, cl. 1, § 69.

1910, 622, § 10.

180 Mass. 444.

202 Mass. 214.

211 Mass. 252.

1 Op. A. G. 434.

2 Op. A. G.

23, 593.

3 Op. A. G. 256.

First. In first mortgages of real estate located in the commonwealth not exceeding sixty per cent of the value of such real estate; but not more than seventy per cent of the whole amount of deposits shall be so invested. If a loan is made on unimproved and unproductive real estate, the amount loaned thereon shall not exceed forty per cent of the value of such real estate. No loan on mortgage shall be made except upon written application showing the date, name of applicant, amount asked for and security offered, nor except upon the report of not less than two members of the board of investment who shall certify on said application, according to their best judgment, the value of the premises to be mortgaged; and such application shall be filed and preserved with the records of the corporation.

At the expiration of every such loan made for a period of five or more years not less than two members of the board of investment shall certify in writing, according to their best judgment, the value of the premises mortgaged; and the premises shall be revalued in the same manner at intervals of not more than five years so long as they are mortgaged to such corporation. Such report shall be filed and preserved with the records of the corporation. If such loan is made on demand or for a shorter period than five years, a revaluation in the manner above prescribed shall be made of the premises mortgaged not later than five years after the date of such loan and at least every fifth year thereafter. If at the time a revaluation is made the amount loaned is in excess of sixty per cent, or in the case of unimproved and unproductive real estate in excess of forty per cent, of the value of the premises mortgaged, a sufficient reduction in the amount of the loan shall be required, as promptly as may be practicable, to bring the loan within sixty per cent, or in the case of unimproved and unproductive real estate, within forty per cent, of the value of said premises.

Whenever the commissioner deems an excessive loan has been made, or is about to be made upon real estate, he may cause an appraisal of said real estate to be made at the expense of the bank making the loan. One appraiser shall be named by the commissioner, one by the bank making the loan, and a third by the two thus named. Said appraisers shall determine the value of said real estate and certify the same in writing to the commissioner and to the bank. If it shall appear from said appraisal that said loan is in excess of the amount allowed by this clause, the commissioner may make such order in relation thereto as he deems advisable.

Public funds.

1834, 190, § 7.

R. S. 36, § 78.

Second. (a) In the public funds of the United States, or of any of the New England states.

G. S. 57, § 142.

1863, 175, § 1.

1881, 214, § 2.

1908, 590, § 68,

1876, 203, § 9, cl. 2.

P. S. 116, § 20, cl. 2.

cl. 2 (a), § 69.

1880, 177.

R. L. 113, § 26, cl. 2 (a).

1894, 317, § 21,

cl. 2.

1885, 111.

R. L. 113, § 26,

cl. 2 (c).

(b) In the bonds or notes of a county, city or town of this commonwealth.

R. L. 113, § 26, cl. 2 (b).

1908, 590, § 68, cl. 2 (b), § 69.

(c) In the bonds or notes of an incorporated district in this commonwealth whose net indebtedness does not exceed five per cent of the last preceding valuation of the property therein for the assessment of taxes.

1908, 590, § 68, cl. 2 (c), § 69.

R. L. 113, § 26,

cl. 2 (d).

1904, 208.

(d) In the bonds or notes of any city of Maine, New Hampshire, Vermont, Rhode Island or Connecticut, whose net indebtedness does

not exceed five per cent of the last preceding valuation of the property therein for the assessment of taxes; or of any county or town of said states whose net indebtedness does not exceed three per cent of such valuation; or of any incorporated water district of said states which has within its limits more than five thousand inhabitants, and whose bonds or notes are a direct obligation on all the taxable property of such district, and whose net indebtedness does not exceed three per cent of such valuation: provided, that there is not included within the limits of such water district, either wholly or in part, any city or town the bonds or notes of which are not a legal investment.

(e) In the legally authorized bonds of the states of New York, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Missouri and Iowa, and of the District of Columbia, and in the legally authorized bonds for municipal purposes, and in the refunding bonds issued to take up at maturity bonds which have been issued for other than municipal purposes, but on which the interest has been fully paid, of any city of the aforesaid states which has at the date of such investment more than thirty thousand inhabitants, as established by the last national or state census, or city census certified to by the city clerk or treasurer of said city and taken in the same manner as a national or state census, preceding such investment, and whose net indebtedness does not exceed five per cent of the valuation of the taxable property therein, to be ascertained by the last preceding valuation of property therein for the assessment of taxes.

(f) In the legally authorized bonds of the states of California, Delaware, Nebraska, New Jersey, Oregon and Washington, and in the legally authorized bonds for municipal purposes or in refunding bonds which have been issued for other than municipal purposes, but on which the interest has been fully paid, of any city of the states of California, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Washington and Wisconsin, which has at the date of such investment more than one hundred thousand inhabitants, established in the same manner as is provided in subdivision (e) of this clause, and whose net indebtedness does not exceed seven per cent of the valuation of the taxable property therein, established and ascertained as provided in subdivision (e) of this clause.

(g) In subdivisions (d), (e) and (f) of this clause the words "net indebtedness" mean the indebtedness of a county, city, town or district, omitting debts created for supplying the inhabitants with water and debts created in anticipation of taxes to be paid within one year, and deducting the amount of sinking funds available for the payment of the indebtedness included.

Third. (a) In the bonds or notes, issued in accordance with the laws of this commonwealth, of a railroad corporation incorporated therein the railroad of which is located wholly or in part therein, which has paid in dividends in cash an amount equal to not less than four per cent per annum on all its outstanding issues of capital stock in each fiscal year for the five years preceding such investment, or in the first mortgage bonds of a terminal corporation incorporated in this commonwealth and whose property is located therein, which is owned and operated, or the bonds of which are guaranteed as to principal and interest, or assumed, by such railroad corporation. Any shares of the capital stock of a railroad corporation leased to such railroad corporation, which are owned by said lessee corporation, shall not be considered as outstanding within the meaning of this subdivision.

(b) In the bonds or assumed bonds of a railroad corporation incorporated in any of the New England states, at least one half of the railroad of which is located in said states, whether such corporation is

1908, 590.
§ 68, cl. 2 (d),
§ 69.
1909, 491, § 8.
2 Op. A. G. 323.

1882, 231.
1885, 124.
1887, 423.
1888, 90.
1890, 369.
1894, 317, § 21,
cl. 2 (f).
1895, 164.
R. L. 113, § 26,
cl. 2 (f).
1908, 590, § 68,
cl. 2 (e), § 69.
1912, 580, § 1.
1 Op. A. G. 190.
4 Op. A. G. 225.

1912, 580.
4 Op. A. G. 225.

1894, 317, § 21,
cl. 2 (f).
1908, 590, § 68,
cl. 2 (e).
1912, 580.
2 Op. A. G. 115.
4 Op. A. G. 225.

Railroad bonds.
Massachusetts
railroads.
1887, 196.
R. L. 113, § 26,
cl. 3 (c).
1908, 590,
§ 68, cl. 3 (a),
§ 69.
Op. A. G.
(1918) 110.

New England
railroads.
1841, 44.
1863, 175, § 1.

1876, 203, § 9,
cl. 3.
1881, 214, § 1.
P. S. 116, § 20,
cl. 3.
1886, 176.
1887, 196.
1889, 305.
1894, 317, § 21,
cl. 3.
1898, 184, § 1,
cla. (a), (d).
R. L. 113, § 26,
cl. 3 (a).
1908, 590.
§ 68, cl. 3 (b),
§ 69.
1909, 491, § 8.
1 Op. A. G.
149, 619.
2 Op. A. G. 257.

Guaranteed
railroad bonds.
1887, 196.
1898, 184, § 1,
cl. (b).
R. L. 113, § 26,
cl. 3 (b).
1908, 590.
§ 68, cl. 3 (c),
§ 69.

Dividends
paid by
railroads.
1908, 590, § 68,
cl. 3 (d).
1909, 491, § 8.

Other railroads.
Description of
corporation.
1899, 269.
1908, 590, § 68,
cl. 3 (e).
2 Op. A. G. 43.
3 Op. A. G. 183.

in possession of and is operating its own road or is leased to another railroad corporation: provided, either that such bonds shall be secured by a first mortgage of the whole or a part of the railroad and railroad property of such corporation, or by a refunding mortgage as described in paragraph (3) or (4) of subdivision (g), or that if the railroad and railroad property of such corporation are unencumbered by mortgage such bonds shall be issued under the authority of one of said states which provides by law that no such railroad corporation which has issued bonds shall subsequently execute a mortgage upon its road, equipment and franchise or upon any of its real or personal property, without including in and securing by such mortgage all bonds previously issued and all its pre-existing debts and liabilities, which provision, so enacted in such state, shall have been accepted by the stockholders of such corporation; and provided, that such corporation has paid in dividends in cash an amount equal to not less than four per cent per annum on all its outstanding issues of capital stock in each fiscal year for the five years preceding such investment.

(c) In the first mortgage bonds or assumed first mortgage bonds or in the bonds secured by a refunding mortgage as described in paragraph (3) or (4) of subdivision (g), of a railroad corporation incorporated in any of the New England states, the railroad of which is located wholly or in part therein, which have been guaranteed as to principal and interest by a railroad corporation described in subdivision (a) or (b) which is in possession of and is operating its own road.

1909, 491, § 8.

3 Op. A. G. 43, 462.

(d) No bond shall be made a legal investment by subdivision (b) unless the corporation which issued or assumed such bond has, during its fiscal year preceding the date of such investment, paid in dividends on its capital stock an amount equal to one third of the total amount of interest paid on all its direct and assumed funded indebtedness.

No bond shall be made a legal investment by subdivision (c) unless the corporation which guaranteed such bond has, during its fiscal year preceding such investment, paid in dividends on its capital stock an amount equal to one third of the total amount of interest paid on all its direct, assumed and guaranteed funded indebtedness.

(e) In the mortgage bonds, as described in any of the following subdivisions of this clause, of any railroad corporation incorporated under the laws of any of the United States:

Provided, that during each of the ten fiscal years of such railroad corporation preceding the date of such investment —

(1) Such railroad corporation owned in fee not less than five hundred miles of standard gauge railroad, exclusive of sidings, within the United States, or if such corporation owned in fee less than five hundred miles of such railroad, the gross earnings of such corporation, reckoned as hereinafter provided, shall have been not less than fifteen million dollars;

(2) Such railroad corporation shall have paid the matured principal and interest of all its mortgage indebtedness;

(3) Such railroad corporation shall have paid in dividends in cash to its stockholders an amount equal to at least four per cent upon all its outstanding capital stock;

(4) The gross earnings from the operation of the property of such railroad corporation, including therein the gross earnings of all railroads leased and operated or controlled and operated by said corporation, and the gross earnings from the sale of coal from mines owned or controlled by it, shall not have been less in amount than five times the amount necessary to pay the interest payable upon its entire outstanding indebtedness, the rentals of all leased lines, and the interest on all the outstanding indebtedness of railroads controlled and operated which are not owned by said corporation after deducting from said interest and

rentals interest and dividends received from the stocks, bonds or notes of railroad corporations not operated by said corporation, which have been deposited with a trustee as the only security to secure the payment of bonds or notes issued by said corporation, but not in excess of the interest on said last named bonds or notes;

And further provided that —

(5) No bonds shall be made a legal investment by subdivision (g) in case the mortgage securing the same shall authorize a total issue of bonds which, together with all outstanding prior debts of the issuing or assuming corporation, including all bonds not issued that may legally be issued under any of its prior mortgages or of its assumed prior mortgages, after deducting therefrom, in case of a refunding mortgage, the bonds reserved under the provisions of said mortgage to retire prior lien debts at maturity, shall exceed three times the outstanding capital stock of said corporation at the date of such investment;

(6) No bonds shall be made a legal investment by subdivision (i) or (j) in case the mortgage securing the same shall authorize a total issue of bonds which, added to the total debt of the guaranteeing corporation as defined in paragraph (5), including therein the authorized amount of all previously guaranteed bond issues, shall exceed three times the capital stock of such guaranteeing corporation outstanding at the date of such investment; nor in case at said date the total debt of the corporation which issued said bonds shall exceed three times its outstanding capital stock;

In the case of a mortgage executed prior to June eighth, nineteen hundred and eight, under which the total amount of bonds which may be issued is not specifically stated, the amount of bonds outstanding thereunder at the date of such investment shall be considered, for the purposes of paragraph (5) and of this paragraph, as the total authorized issue.

(f) Whenever the term "first mortgage" is used in the following subdivisions, it shall mean, unless otherwise qualified, a first mortgage on not less than seventy-five per cent of the railroad owned in fee at the date of the mortgage by the railroad corporation on the railroad of which said mortgage is a lien, but in no case on less than one hundred continuous miles of standard gauge railroad, exclusive of sidings: provided that —

Description
of bonds.
Definition of
first mortgage.
1908, 590, § 68,
cl. 3 (f).

Seventy-five per cent of the railroad subject to the lien of said mortgage is connected;

For five years prior to the date of investment therein all the railroad subject to the lien of said mortgage at the date of execution thereof has been operated by, and its operations included in, the operations of the railroad corporation which issues, assumes or guarantees said bonds;

The date of said mortgage is at least five years prior to the date of such investment; except that a first mortgage given in substitution for and not greater in amount than such a first mortgage, and covering the same railroad property, shall be considered to be in accordance with this requirement.

(g) Bonds issued or assumed by a railroad corporation described in subdivision (e) which are secured by a mortgage which was at the date thereof or is at the date of such investment —

Railroad
mortgage
bonds.
1908, 590, § 68.
cl. 3 (g).

(1) A first mortgage on a railroad owned in fee by the corporation issuing or assuming said bonds, except that, if it is not a first mortgage on seventy-five per cent of all such railroad owned in fee by said corporation, it shall be a first mortgage on at least seventy-five per cent of the railroad subject to the lien of said mortgage at the date thereof; but if any stocks or bonds are deposited with the trustee of said mortgage as part security therefor, representing or covering railroad mileage not

owned in fee, the bonds secured by said mortgage shall not become legal investments unless said corporation owns in fee at least seventy-five per cent of the total mileage which is subject to the lien of said mortgage and which is represented or covered by said stocks or bonds;

(2) A first mortgage, or a mortgage or trust indenture which is in effect a first mortgage upon all the railroad subject to the lien of said mortgage or trust indenture by virtue of the irrevocable pledge with the trustee thereof of an entire issue or issues of bonds which are a first lien, upon the railroad of a railroad corporation which is owned and operated, controlled and operated or leased and operated by the corporation issuing or assuming said bonds;

1909, 491, § 8.

(3) A refunding mortgage which covers at least seventy-five per cent of the railroad owned in fee by said corporation at the date of said mortgage and provides for the retirement of all outstanding mortgage debts which are a prior lien upon said railroad owned in fee and covered by said refunding mortgage at the date thereof; but if any of the bonds which said refunding mortgage is given to refund are secured on a railroad not owned in fee by the corporation executing said refunding mortgage, there shall be conveyed and assigned to the trustee of said refunding mortgage either —

At least seventy-five per cent of the railroad on which each issue of bonds to be refunded is secured, free from any mortgage lien except that of the mortgage or mortgages securing the bonds to be refunded; or

At least seventy-five per cent of the outstanding bonds of each issue which is secured by a mortgage lien upon such railroad; and all of said railroad not owned in fee which is so subjected to the lien of said refunding mortgage shall be the railroad of one or more railroad corporations which are owned and operated, controlled and operated, or leased and operated by the corporation issuing or assuming said refunding mortgage bonds;

But in no case shall the bonds secured by said refunding mortgage become a legal investment unless they mature at a later date than any bonds which said refunding mortgage is given to refund, nor unless the total mileage subjected to the lien of said refunding mortgage in accordance with the requirements of this paragraph is at least twenty-five per cent greater than the mileage covered by any one of the mortgages securing bonds which said refunding mortgage is given to refund;

(4) A mortgage upon not less than ten per cent of the railroad, exclusive of sidings, owned in fee at the date of said mortgage by the corporation issuing or assuming said bonds, but in no case on less than five hundred continuous miles of standard gauge railroad: provided that —

Said mortgage is a first or second lien upon not less than seventy-five per cent of the total railroad covered by said mortgage at the date thereof, and which provides for the retirement of all mortgage debts which are a prior lien upon said railroad owned in fee and covered by said mortgage, at the date of the execution thereof;

The bonds secured by said mortgage mature at a later date than, and cover a mileage at least twenty-five per cent greater than is covered by, any of the bonds secured by a prior lien mortgage so to be retired;

The date of said mortgage shall be at least five years prior to the date of such investment.

Bonds underlying refunding mortgages, 1908, 590, § 68, cl. 3 (h).

(h) Mortgage bonds or bonds secured by mortgage bonds which are a direct obligation of, or which have been assumed, or which have been guaranteed by endorsement as to both principal and interest, by a railroad corporation whose refunding mortgage bonds are made a legal investment under paragraph (3) or (4) of subdivision (g): provided that —

Said bonds are prior to and are to be refunded by such refunding mortgage;

Said refunding mortgage covers all the real property upon which the mortgage securing said underlying bonds is a lien;

In the case of bonds so guaranteed or assumed, the corporation issuing said bonds is owned and operated, controlled and operated, or leased and operated, by said railroad corporation.

(i) Bonds which have been guaranteed by endorsement as to both principal and interest by a railroad corporation which has complied with all the provisions of subdivision (e): provided that —

Said bonds are secured by a first mortgage on the railroad of a railroad corporation which is owned and operated, controlled and operated, or leased and operated, by the corporation guaranteeing said bonds;

In the case of a leased railroad, the entire capital stock of which, except shares qualifying directors, is not owned by the lessee, the rental includes an amount to be paid to the stockholders of said leased railroad equal to at least four per cent per annum upon that portion of the entire capital stock thereof outstanding which is not owned by the lessee.

(j) First mortgage bonds of a railroad corporation which during each of its ten fiscal years preceding the date of such investment has complied with all the requirements of paragraphs (2), (3) and (4) of subdivision (e), provided that said bonds are guaranteed by endorsement as to both principal and interest by a railroad corporation which has complied with all the requirements of subdivision (e) preceding paragraph (5), notwithstanding that the railroad of said issuing corporation is not operated by said guaranteeing corporation.

(k) Bonds which have been or shall become legal investments under any of the provisions of this section shall not be rendered illegal although the corporation issuing, assuming or guaranteeing such bonds shall fail for a period not exceeding two successive fiscal years to comply with the requirements of paragraph (4) of subdivision (e); but no further investment in the bonds issued, assumed or guaranteed by said corporation shall be made during said period. If after the expiration of said period said corporation complies for the following fiscal year with all the requirements of subdivision (e), it shall be regarded as having complied therewith during said period.

(l) Bonds which have been or shall become legal investments under any of the provisions of this section shall not be rendered illegal, although the property upon which they are secured has been or shall be conveyed to or legally acquired by another railroad corporation, and although the corporation which issued or assumed said bonds has been or shall be consolidated with another railroad corporation if the consolidated or purchasing corporation shall assume the payment of said bonds and so long as it shall continue to pay regularly interest or dividends, or both, upon the securities issued against, in exchange for, or to acquire the stock of the corporation consolidated, or the property purchased, or upon securities subsequently issued in exchange or substitution therefor, to an amount at least equal to four per cent per annum upon the capital stock outstanding at the time of such consolidation or purchase of said corporation which issued or assumed said bonds.

(m) If a railroad corporation which has complied with all the requirements of subdivision (e) preceding paragraph (5), except that the period of compliance is less than ten, but not less than five successive years, shall be, or shall have been, thereupon consolidated or merged with, or its railroad purchased and all of the debts of such corporation assumed by, another railroad corporation incorporated under the laws of any of the United States, such corporation so succeeding shall be considered as having complied with all the provisions of subdivision (e) preceding paragraph (5) during those successive years preceding the date of such consolidation, merger or purchase in which all said consolidated, merged or purchased corporations, if considered as one con-

Guaranteed obligations.
1908, 590, § 68,
cl. 3 (i).
2 Op. A. G. 257.

Guaranteed bonds of railroads not operated.
1908, 590, § 68,
cl. 3 (j).
1909, 491, § 8.

Corporation not to lose credit by temporary disturbance of relation of gross earnings to fixed charges.
1908, 590, § 68,
cl. 3 (k).

Bonds not to become illegal on account of consolidation.
1908, 590, § 68,
cl. 3 (l).

Credit of a corporation not to be lost by consolidation.
1908, 590, § 68,
cl. 3 (m).

tinuous corporation in ownership and possession, would have so complied; provided, that said succeeding corporation shall continue so to comply for a further period which shall make such compliance equivalent to at least ten successive years, but which shall be in no case less than the two fiscal years next following said consolidation, merger or purchase.

Street railway corporations are not railroad corporations. 1908, 590, § 68, cl. 3 (n).

Operation of railroads by United States. 1919, 13. 1920, 420.

(n) In this clause, unless the context otherwise requires, "railroad corporation" means a corporation which owns or is in possession of and operating a railroad or railway of the class usually operated by steam power. Street railway corporations are not railroad corporations within the meaning of this clause.

(o) Railroad bonds, which were legal investments for savings banks at the time when the government of the United States, under the act of congress approved March twenty-first, nineteen hundred and eighteen, took over the operation of the railroads issuing such bonds, shall not become illegal investments by reason of the operation of the railroads by the federal government. The time during which any such railroad is operated by the federal government shall be excluded, including the year in which the government operation ends, in determining the compliance of any such railroad with this clause; provided, that in case a railroad corporation the mortgage bonds of which would become legal for investment under subdivision (e) of this clause upon its compliance with the requirements of said subdivision shall have complied with the requirements of said subdivision during the two years or more preceding January first, nineteen hundred and eighteen, such railroad corporation shall be deemed to have complied with the requirements of said subdivision during the period of the government operation of its railroad, including the year in which such government operation ends, in computing the time of compliance with the requirements of said subdivision.

The time during which any railroad is operated by the government of the United States under the provisions of an act of congress approved August twenty-ninth, nineteen hundred and sixteen, of an act of congress approved March twenty-first, nineteen hundred and eighteen, or of any other act or acts of the congress of the United States, and for two years thereafter, and the earnings made and dividends paid during said time and for said two years thereafter shall not be taken into consideration in determining whether the bonds of the railroad corporation comply with any provision of this section. Any railroad corporation, which, at the time when the operation of its railroad by the government of the United States under the provisions of the said act or acts began, had complied with subdivision e of this clause, for one or more years next preceding the commencement of such government operation and control shall be entitled to include, in computing the period of ten years prescribed by said subdivision every year during any part of which its railroad shall have been operated by the government of the United States under the provisions of said act or acts, and the two years succeeding the termination of such operation, in determining whether such corporation has complied with said subdivision e each year for ten years. Except as provided in this subdivision, whenever a reference is made in said subdivision e to a period of ten years preceding the date of an investment in the bonds of any railroad corporation, such period shall be deemed exclusive of any time during which the property of such railroad corporation has been operated by the government of the United States under the provisions of the said acts and of the two years succeeding the termination of such operation.

Any bonds acquired by savings banks or institutions for savings prior to May seventh, nineteen hundred and twenty, or at any time hereafter, which comply with this clause may, so long as they continue to comply therewith, be retained as investments authorized by law.

Fourth. In the bonds of any street railway company incorporated in this commonwealth, the railway of which is located wholly or in part therein, and which has earned and paid in dividends in cash an amount equal to at least five per cent upon all its outstanding capital stock in each of the five years last preceding the certification hereinafter provided for by the department of public utilities or its predecessors except the six months' period beginning July first and ending December thirty-first, nineteen hundred and sixteen. No such investment shall be made unless said company appears from returns made by it to the said department to have properly paid said dividends without impairment of assets or capital stock, and said department shall annually on or before June fifteenth certify and transmit to the commissioner a list of such street railway companies.

Street railway
bonds.
1902, 483.
1906, 463, III,
§§ 147, 148,
158.
1908, 590,
§ 68, cl. 5, § 69.
1909, 502, § 2.
1915, 273, § 1.
1917, 122,
§§ 2, 5.
1919, 350,
§ 117.
3 Op. A. G. 338.

Dividends paid by way of rental to stockholders of a leased street railway company shall be deemed to have been earned and paid by said company within the meaning of this clause, provided that said company shall have annually earned, and properly paid in dividends in cash without impairment of assets or capital stock, an amount equal to at least five per cent upon all its outstanding capital stock in each of the five fiscal years preceding the date of the lease thereof.

If two or more street railway companies have been consolidated by purchase or otherwise during the five years prior to said certification, the payment severally from the earnings of each year of dividends equivalent in the aggregate to a dividend of five per cent on the aggregate capital stocks of the several companies during the years preceding such consolidation shall be sufficient for the purpose of this clause.

Bonds which have been or shall become legal investments under this clause shall not, except as hereinafter provided, be deemed to be an illegal investment by reason of the fact that the corporation issuing such bonds shall fail or has heretofore failed for a period not exceeding two successive fiscal years to earn and pay dividends in accordance with the requirements of this clause, but no further investment in the bonds issued by the corporation shall be made during said period. If after the expiration of said period the corporation earns and pays or has earned and paid dividends during the following fiscal year in accordance with the requirements of this clause, it shall be regarded as having complied therewith during said period: provided, that it shall not have so failed to comply during any other period within the preceding five years; and provided, that during said period of non-compliance its annual earnings shall have been at least sufficient to provide for the payment of the interest upon its outstanding indebtedness and all other fixed charges in addition to its operating expenses. The said department shall certify and transmit to the commissioner a list of any street railway companies whose bonds become legal investments by virtue of this paragraph.

1915, 273, § 1.

Fifth. In the bonds of any telephone company subject to section fifty-three of chapter sixty-three and of which a majority of the directors are residents of the commonwealth:

Telephone
company
bonds.
1908, 590, § 68,
cl. 6.

Provided, that during each of the five fiscal years of such telephone company preceding the date of such investment —

(1) The gross income of such telephone company shall have been not less than ten million dollars per annum.

(2) Such telephone company shall have paid the matured principal and interest of all its indebtedness.

(3) Such telephone company shall have paid in dividends in cash an amount equal to not less than six per cent per annum on all its outstanding issues of capital stock.

(4) The dividends paid on the capital stock of such telephone company shall not have been less than the total amount necessary to pay the interest upon its entire outstanding indebtedness.

And further provided, that such bonds shall be secured either (a) by a first mortgage upon at least seventy-five per cent of the property of such telephone company, or (b) by the deposit with a trust company incorporated under the laws of this commonwealth of bonds and shares of stock of other telephone corporations, under an indenture of trust which limits the amount of bonds so secured to seventy-five per cent of the value of the securities deposited as stated and determined in said indenture, and provided that during each of the five years preceding such investment the annual interest and dividends paid in cash on the securities deposited have amounted to not less than fifty per cent in excess of the annual interest on the bonds outstanding and secured by said deposit. Not more than two per cent of the deposits of any such bank shall be invested in the bonds of telephone companies.

Gas, electric or
water com-
pany bonds.
1919, 104, § 2.

Sixth. In the bonds of a gas, electric or water company secured by a first mortgage of the franchise and property of the company: provided, that the net earnings of the company, after payment of all operating expenses, taxes and interest, as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been in each of the three fiscal years preceding the making or renewing of such loan equal to not less than four per cent on all its capital stock outstanding in each of said years; and, provided, that the gross earnings of the company in the fiscal year preceding the making or renewing of the loan have been not less than one hundred thousand dollars.

Bank stocks
and deposits
in banks.
1834, 190, § 7.
R. S. 36, § 78.
1855, 294.
G. S. 57,
§§ 142-144.
1863, 175,
§§ 2, 3; 234.
1864, 2.
1868, 227.
1876, 203, § 9,
cl. 4.
1881, 214, § 3.
P. S. 116, § 20,
cl. 4.
1882, 224.
1883, 202.
1886, 95.
1890, 168.
1894, 317,
§ 21, cl. 5.

Seventh. In the stock of a banking association located in the New England states and incorporated under the authority of the United States, or in the stock of a trust company incorporated under the laws of and doing business within this commonwealth, but such corporation shall not hold, both by way of investment and as security for loans, more than twenty per cent of its deposits in the stock of such associations or companies, nor in any one such association or company more than three per cent of its deposits in, nor more than one hundred thousand dollars nor more than one quarter of the capital stock of, such association or company.

Such corporation may deposit not more than two and one half per cent of its deposits in any banking association incorporated under the authority of the United States and located in this commonwealth, and in any trust company incorporated in this commonwealth; but such deposit shall not in any case exceed five hundred thousand dollars nor twenty-five per cent of the capital stock and surplus fund of such depository.

R. L. 113, § 26, cl. 5.

1908, 590, § 68, cl. 7.

151 Mass. 103.

Bankers'
acceptances.
1918, 210.

Eighth. In bankers' acceptances and bills of exchange of the kinds and maturities made eligible by law for re-discount with federal reserve banks, provided that the same are accepted by a bank, banking association or trust company incorporated under the laws of the United States or of this commonwealth, and having its principal place of business within the commonwealth. Not more than ten per cent of the deposits and of the income derived therefrom shall be invested by any savings bank in bankers' acceptances or bills of exchange, nor shall any savings bank invest in the acceptances and bills of exchange eligible by law for re-discount with federal reserve banks of any one accepting bank or trust company to an amount in excess of five per cent of its deposits and of the income derived therefrom. The aggregate amount of bankers' acceptances and bills of exchange of any bank, banking association or trust company held by any savings bank shall not exceed twenty-five per cent of the paid up capital and surplus of such bank, banking association or trust company.

Loans on per-
sonal security.
1834, 190, § 8.

Ninth. In loans of the classes hereinafter described, payable and to be paid or renewed at a time not exceeding one year from the date

thereof; but not more than one third of the deposits and income shall so be invested, nor shall the total liabilities to such corporation of a person, partnership, association or corporation for money borrowed upon personal security, including in the liabilities of a partnership or company not incorporated the liabilities of the several members thereof, exceed five per cent of such deposits and income; but said limitations, except as to time in which said loans shall be paid or renewed, shall not apply to loans made under paragraph (2) subdivision (e) of this clause.

1908, 590, § 68, cl. 8, § 69.

1909, 491, § 8.

R. S. 36, § 79.
G. S. 57, § 145.
1876, 203, § 9,
cl. 5.
P. S. 116, § 20,
cl. 6.
1884, 56; 168.
1886, 69.
1894, 317,
§ 21, cl. 7.
R. L. 113, § 26,
cl. 7.

(a) A note which is the joint and several obligation of three or more responsible citizens of this commonwealth: provided, that the total liabilities to such corporation of a person, partnership or association, for money borrowed under this subdivision, including in the liabilities of a partnership or company not incorporated the liabilities of the several members thereof, shall not exceed one per cent of the deposits of such corporation.

Note of three
citizens.
1908, 590, § 68,
cl. 8 (a).

(b) A note, with one or more substantial sureties or endorsers: (1) of a corporation incorporated in this commonwealth; or (2) of a manufacturing corporation with a commission house as surety or endorser, provided that such commission house is incorporated in this commonwealth, or has an established place of business and a partner resident therein; or (3) of an association or corporation at least one half of the real and personal property of which is located within the New England states, if at least one such surety or endorser is a citizen of or corporation incorporated in this commonwealth: provided, that no such loan shall be made or renewed unless within eighteen months preceding the making or renewing of such loan an examination of the affairs, assets and liabilities of the borrowing corporation or association has been made, at the expense of such borrowing corporation or association, by an accountant approved by the commissioner. The report of such examination shall be made in such form as the commissioner may prescribe. A copy of the report certified to by the accountant shall be delivered by the borrowing corporation or association to the savings bank before such loan or a renewal thereof is made, and a copy so certified shall be delivered by the accountant to the commissioner within thirty days after the completion of said examination.

Corporation
note.
1908, 590, § 68,
cl. 8 (b).
1909, 491, § 8.

(c) A bond or note of a gas, electric light, telephone or street railway corporation incorporated or doing business in this commonwealth and subject to the control and supervision thereof: provided, that the net earnings of said corporation, after payment of all operating expenses, taxes and interest as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been in each of the three fiscal years preceding the making or renewing of such loan equal to not less than four per cent on all its capital stock outstanding in each of said years; and provided, that the gross earnings of said corporation in the fiscal year preceding the making or renewing of such loan have been not less than one hundred thousand dollars.

Notes of cer-
tain public
service
companies.
1908, 590, § 68,
cl. 8 (c).
1909, 491, § 8.

(d) A bond or note issued, assumed, or guaranteed by endorsement as to both principal and interest, by a railroad corporation which complies with all the requirements of subdivision (b) or of subdivision (e) preceding paragraph (5) of clause Third: provided, that the principal of such bond or note described in either this or the preceding subdivision is payable at a time not exceeding one year after the date of investment therein.

Notes issued or
guaranteed by
railroad
companies.
1908, 590, § 68,
cl. 8 (d).
1909, 491, § 8.

(e) A note of a responsible borrower in such form as the commissioner may approve, with a pledge as collateral of —

Notes secured
by collateral.
1879, 57, § 1.
P. S. 116, § 20,
cl. 5.
1887, 196.

(1) One or more first mortgages of real estate situated in this commonwealth: provided, that the amount of such note is not in excess of sixty per cent, or in the case of unimproved or unproductive real estate

1888, 213.
 1894, 317, § 21,
 cl. 6.
 1896, 178.
 1899, 269.
 R. L. 113, § 28,
 cls. 2 (e), 3
 (k, l, m), 4 (e).
 1904, 210.
 1905, 250.
 1906, 463.
 III, §§ 150,
 158.
 1908, 590,
 § 68, cl. 8 (e),
 § 69.
 1909, 491, § 8.

in excess of forty per cent, of the value of the property or properties mortgaged; that the value of each of said properties has been certified in accordance with the provisions of clause First; and that the assignment of each of said mortgages has been recorded in the proper registry of deeds; or

(2) Bonds or notes authorized for investment by clause Second, Third, Fourth, Fifth or Seventeenth at no more than ninety per cent of the market value thereof, at any time while such note is held by such corporation; or

(3) Deposit books of depositors in savings banks at no more than ninety per cent of the amount of deposits shown therein; or

(4) Shares of railroad corporations described in subdivision (a), (b) or (c) of clause Third at no more than eighty per cent of the market value thereof, at any time while such note is held by such corporation; or

(5) Such other bonds, notes or shares of corporations or associations and at such percentages of their market values as the board of investment shall approve: provided, that, if the commissioner shall disapprove any such bonds, notes or shares, he shall make such written recommendations to the board of investment of such corporation as the case may require, and shall include in his annual report a statement of the facts in each case in which such board of investment has not complied with his recommendations in a manner satisfactory to him; or

1910, 358.

(6) Policies issued by life insurance companies approved by the commissioner and properly assigned to the bank, but not exceeding ninety per cent of the cash surrender value of such policies; but the aggregate of such loans made by any savings bank shall not exceed one per cent of its deposits.

"Association"
 defined.
 1908, 590,
 § 68, cl. 8 (f), § 69.
 Farm loan
 bonds.
 1918, 67.

(f) Whenever used in this clause, the word "association" means an association the business of which is conducted or transacted by trustees under a written instrument or declaration of trust.

Tenth. In farm loan bonds lawfully issued by federal land banks incorporated under the act of congress approved July seventeen, nineteen hundred and sixteen, entitled "An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositaries and financial agents for the United States, and for other purposes".

Bank building.
 1870, 226.
 1876, 203, § 9,
 cl. 6.
 P. S. 116, § 20,
 cl. 7.
 1893, 174.
 1894, 317, § 21,
 cl. 8.
 R. L. 113, § 26,
 cl. 8.
 1908, 590,
 § 68, cl. 9, § 69.

Eleventh. A sum not exceeding the guaranty fund and undivided earnings of such corporation, nor in any case exceeding five per cent of its deposits or two hundred thousand dollars, may, subject to the approval of the commissioner, be invested in the purchase of a suitable site and the erection or preparation of a suitable building for the convenient transaction of its business. Extraordinary alterations in, or additions to, a bank building owned by a savings bank, involving an expense exceeding ten thousand dollars, shall not be made without the approval of the commissioner, and the cost of such alterations or additions shall not exceed the sum specified in this clause.

1910, 281.

149 Mass. 1.

151 Mass. 103.

1 Op. A. G. 420.

Real estate
 acquired by
 foreclosure.
 1870, 226.
 1876, 203, § 26.
 P. S. 116, § 20,
 cl. 8.
 1882, 200.
 1883, 52; 248.
 1886, 77.
 1894, 317, § 21,
 cl. 9.

Twelfth. Such corporation may hold real estate acquired by the foreclosure of a mortgage owned by it, or by purchase at sales made under the provisions of such mortgages or upon judgments for debts due to it, or in settlements effected to secure such debts. Such corporation shall sell all such real estate within five years after the title thereof is vested in it, and notwithstanding the provisions of clause First may take a mortgage thereon from a bona fide purchaser to secure the whole or a part of the purchase price; but the commissioner may, on petition of the board of investment of such corporation, and for

cause, grant an additional time for the sale of the same or of the securities mentioned in the following clause.

1908, 590, § 68, cl. 10, § 69.

149 Mass. 1.

1898, 148.
R. L. 113, § 26,
cl. 9.

Thirteenth. Such corporation may hold stocks, bonds, notes or other securities acquired in settlements effected to secure loans or indebtedness; but unless the time during which such securities may be held is extended as provided in the preceding clause, they shall be sold within five years after being acquired.

R. L. 113, § 26, cl. 10.

1908, 590, § 68, cl. 11.

Securities
acquired in
settlement of
indebtedness.
1898, 148.

Fourteenth. The provisions of this chapter shall not invalidate or impair the title of a corporation to securities which have been or may be held by it in pledge or as security for a loan or indebtedness; and the same shall be held for the purposes for which they were pledged.

1878, 94, § 1.

P. S. 116, § 20, cl. 9.

1894, 317, § 21, cl. 10.

R. L. 113, § 26, cl. 11.

1908, 590, § 68, cl. 12, § 69.

Pledges of
securities as
collateral to
remain valid.
1876, 203, § 30.

Fifteenth. Annually, not later than February first, the commissioner shall prepare a list of all the bonds and notes which are then legal investments under the provisions of clause Third, Fourth, Fifth or Seventeenth. Said list shall at all times be open to public inspection and a copy thereof shall be sent to every savings bank.

1908, 590, § 68, cl. 13, § 69.

List of bonds
to be prepared.
1902, 483, § 3.
1906, 463, III,
§§ 149, 158.

Sixteenth. Bonds which at any time have been for ten successive years legal investments under the provisions of subdivision (a), (b), (c), or (d) of clause Third or clause Fifth of this section shall not be rendered illegal although the corporation issuing, assuming or guaranteeing such bonds shall fail for a period not exceeding two successive years to comply as to dividends on its capital stock, with the requirements of the clauses specified above; but no further investment in the bonds issued, assumed or guaranteed by such corporation shall be made during said period. If after the expiration of said period, such corporation complies for the following fiscal year with the requirements of the clauses specified above, it shall be regarded as having complied therewith during said period: provided, that it shall not have so failed to comply during any other period within the next preceding ten years.

Bonds not to
become illegal
by reason of
temporary
failure to
meet legal
requirements.
1913, 291.
1915, 273, § 2.

Seventeenth. This section shall not render illegal the investment in any mortgages of real estate held by such corporation on June eighth, nineteen hundred and eight, nor the investment before or after said date in any issue of bonds or notes dated before said date in which such corporation might then invest, so long as such bonds or notes continue to comply with the laws then in force.

Certain invest-
ments pre-
viously
authorized.
1908, 590, § 68,
cl. 4.

REFERENCE.

Savings departments of foreign banking associations or corporations, Chap. 167, §§ 41-45.

STATUTES

RELATING TO

DEPOSITS WITH OTHERS THAN BANKS

CHAPTER 169, GENERAL LAWS

STATUTES

RELATING TO

DEPOSITS WITH OTHERS THAN BANKS.

General Laws, Chapter 169.

DEPOSITS WITH OTHERS THAN BANKS.

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3. Requirements of bond. Issue of license and revocation. Trust fund for depositors.
4. Record of bonds.
5. Actions on bonds.

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SECT.

10. Persons subject to examination.
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13. Notes and collateral not to be pledged, etc.
14. Money to be forwarded.
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17. Police to notify commissioner of persons to whom this chapter applies and prosecute offenders.
18. Revocation of license, etc.

APPLICATION OF CHAPTER.

SECTION 1. This chapter shall apply to —

First. All persons engaged in the selling of steamship or railroad tickets for transportation to or from foreign countries, or in the supplying of laborers, who, in conjunction with said business, carry on the business of receiving deposits of money for safe keeping, or for the purpose of transmitting the same, or equivalents thereof, to foreign countries, or for any other purpose.

Second. All persons who carry on the business, or make a practice, of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries, except banks or trust companies or express companies having contracts with railroad or steamship companies for the operation of an express service upon the lines of such companies, or persons engaged in the banking or brokerage business.

Third. Any person engaged or financially interested in the selling of tickets or supplying of laborers as aforesaid who is also engaged or financially interested in the business of receiving deposits of money as aforesaid, and any person engaged or financially interested in the business of receiving deposits of money as aforesaid who is also engaged or financially interested in the selling of tickets or supplying of laborers as aforesaid, under whatever name or by whatever persons the said business of selling tickets or supplying laborers or the said business of receiving deposits is carried on.

Application
of chapter.
1905, 428, § 1.
1906, 408, § 1.
1907, 377, § 1.
1910, 338, § 1.
1913, 178; 179.

BONDS AND LICENSES.

Bond required.
 1905, 428, § 1.
 1906, 408, § 1.
 1907, 377, § 1.
 1911, 358, § 1.
 1912, 335.
 1913, 179.
 197 Mass. 64.

SECTION 2. All persons subject to this chapter shall, before entering into or continuing in any business described in section one, make, execute and deliver a bond to the state treasurer in such sum as the commissioner of banks, in this chapter called the commissioner, may deem necessary to cover money or deposits received for the purposes mentioned in said section by such persons, the bond to be conditioned upon the faithful holding and repayment of the money deposited, and upon the faithful holding and transmission of any money, or equivalent thereof, which shall be delivered to them for transmission to a foreign country, and in the event of the insolvency or bankruptcy of the principal upon the payment of the full amount of such bond to the assignee, receiver or trustee of the principal, as the case may require, for the benefit of such persons as shall deliver money to said principal for safe keeping or for the purpose of transmitting the same to a foreign country.

Whenever a person shall be granted a license to carry on only the business of receiving deposits of money for safe keeping or only that of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries, the condition of the bond required by this section may be the faithful holding or repayment of the money deposited or the faithful holding and transmission of the money or equivalents thereof, respectively, instead of the condition above described. The sum of the bond may at any time be increased in such amounts as shall be shown by examination to be necessary.

Requirements
 of bond. Issue
 of license, and
 revocation.
 Trust fund for
 depositors.
 1905, 428, § 2.
 1906, 408, § 2.
 1908, 493, § 2.
 1911, 358, § 1.
 1912, 335.

SECTION 3. Said bond shall be executed by said person as principal, with at least two good and sufficient sureties who shall be residents and owners of real estate within the commonwealth, or by said person as principal and a surety company, approved by the commissioner. In lieu of the aforesaid sureties, the person may deposit, and the state treasurer shall accept as security for the fulfilment of the provisions of the bond, money, bonds of the United States, of this commonwealth or of any municipality thereof, or, if approved by the commissioner, other bonds, certificates of deposit issued by a national bank or trust company, or deposit books of depositors in savings banks or trust companies. The money or securities so deposited shall be held on the conditions specified in the bond. If securities be deposited in lieu of sureties and be accepted, the state treasurer shall require the depositor to maintain such deposit at a value equal to the amount fixed as the penalty of the bond, and he may in his discretion permit the substitution of securities for money, or of money for securities, in whole or in part, or of money or securities for any sureties, or of a bond for money or securities deposited, or the withdrawal of securities deposited and the substitution of others of equal value in their place, and, if the total value of the securities becomes substantially impaired, he shall require the deposit of money or additional securities sufficient to cover the impairment in value. No bond required by this section shall be accepted until it has been first examined and approved by the commissioner and unless also approved by the state treasurer, and upon such approval by him it shall be filed in his office. Upon notice of such approval by the state treasurer, the commissioner shall issue a license authorizing said person to carry on the aforesaid business for a period of one year from the date of the issuance of the license, at a place to be specified therein, and no person shall enter into or continue in the aforesaid business without such authority. The license shall state the kind of business which the licensee is authorized to carry on, either that of receiving deposits of money for safe keeping, or that of receiving money for the purpose of transmitting the same or equivalents thereof to foreign countries, or that of receiving deposits of money for safe

keeping and transmission to foreign countries. If authority is therein given the licensee to carry on the business of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries, he shall pay for such license an annual fee of twenty-five dollars, but, if authority is given to receive deposits of money for safe keeping, or for the purpose of safe keeping and transmission abroad, then an annual fee of fifty dollars shall be paid. The license shall not be transferred or assigned. It shall not authorize the transaction of business at any place other than that described in the license, except with the written approval of the commissioner. Immediately upon the receipt of the license issued by the commissioner, the licensee named therein shall cause the license to be posted and at all times conspicuously displayed in the place of business for which it is issued, so that all persons visiting such place may readily see the same. It shall be unlawful for any licensee to post the license or to permit the license to be posted upon premises other than those designated therein or those to which it has been transferred with the written approval of the commissioner, or knowingly to deface or destroy any such license. The money and securities deposited with the state treasurer as herein provided, and the money which in case of default shall be paid on the aforesaid bond by any licensee or the surety thereof, shall constitute a trust fund for the benefit of such persons as shall deliver money to the licensee for safe keeping or for the purpose of transmitting the same to foreign countries, and such beneficiaries shall be entitled to an absolute preference as to such money or securities over all general creditors of the licensee. The license shall be revocable at all times by the commissioner for cause shown, and in the event of such revocation or of a surrender of the license, no refund shall be made in respect of any license fee paid. Every license shall be surrendered to the commissioner within twenty-four hours after written notice to the holder that the license has been revoked. In case of the revocation of the license, the money and securities and the bond, if there be one, shall continue to be held by the state treasurer for a period of one year from the date of the revocation of the license unless otherwise directed by the order or judgment of a court of competent jurisdiction.

SECTION 4. The state treasurer shall keep a record open to public inspection, of such bonds filed with him, with the names, places of residence and of business of the principals and sureties, and the name of the officer before whom the bond was executed or acknowledged.

Record of
bonds.
1905, 428, § 3.

SECTION 5. Suit to recover on such bond may be brought by or upon the relation of any party aggrieved, in a court of competent jurisdiction.

1909, 287, § 2; 450.

1913, 245, § 1.

Actions on
bonds.
1906, 408, § 3.

SUPERVISION BY PUBLIC AUTHORITY.

SECTION 6. Any person transacting any business described in section one shall be subject to the supervision of the commissioner, and shall annually, within thirty days after the last business day in October, and at such other times as he may specify, make to him in such form as he may prescribe a return signed and sworn to by such officers or persons as he may designate, showing accurately the condition thereof at the close of business on said last business day of October or such other day as he may specify.

Supervision of
commissioner.
Returns.
1907, 377, § 2.

SECTION 7. The books and accounts of every such person shall be kept and audited in such manner and form, and the persons charged with the custody of the funds and investments thereof shall give a bond in such manner and amount and to such person as the commissioner may prescribe.

Books and
accounts.
Bond by
custodian
of deposits.

1907, 377, § 3.

SECTION 8. The commissioner shall, at such times as he deems expedient, examine, either personally or by a competent examiner whom

Examination
by commis-
sioner.

1907, 377, § 4.
1911, 358, § 2.

Powers of
commissioner
relative to
examination.
1907, 377, § 5.

Persons sub-
ject to
examination.
1908, 493, § 1.
When com-
missioner is
to apply for
injunction or
receiver.
1907, 377, § 6.

Investment
of funds held
on deposit.
1916, 175, § 1.

he shall appoint, every such person, and thoroughly inspect and examine his affairs to ascertain his financial condition and whether he has complied with all laws applicable thereto.

SECTION 9. For the purposes aforesaid the commissioner or the person making the examination shall have free access to the vaults, books and papers of every such person, and may summon the directors, officers or agents thereof, and such other witnesses as may be deemed necessary, for examination relative to the affairs, transactions and condition of such person, and for that purpose the commissioner or the person making the examination may administer oaths. Whoever, without justifiable cause, refuses to appear and testify when so required, or obstructs the commissioner or the person making the examination in the performance of his duty, shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year.

SECTION 10. The commissioner shall have the powers conferred by the three preceding sections, for the purpose of determining whether a person is engaged in a business subject to section one.

SECTION 11. If, upon examination, it appears that such person is insolvent, or that his capital is impaired, or that his condition is such as to render the continuance of his business hazardous to the public or to those having funds in his custody, the commissioner shall apply, or, if such person appears to have exceeded his powers or failed to comply with any provision of law he may apply, to the supreme judicial court, which shall have jurisdiction in equity on such application to issue an injunction restraining such person, in whole or in part, from further proceeding with his business, and to make such further order or decree as justice and equity may require. The court may appoint one or more receivers to take possession of the property and effects of such person, subject to such directions as may from time to time be prescribed by the court.

DISPOSITION OF FUNDS DEPOSITED.

SECTION 12. Of the money held for safe keeping by persons, subject to this chapter, not less than twenty per cent shall either be held as cash on hand, which may include foreign money, the value of which shall be computed at the current rate of exchange, or shall be deposited in savings banks, trust companies or national banks. The remaining eighty per cent of the money so held for safe keeping shall be invested only as follows:

First. As required by section fifty-four of chapter one hundred and sixty-eight so far as the same may be applicable and except in so far as may otherwise be provided herein.

Second. In real estate; but the amount invested in any one property plus the total amount of the mortgages thereon shall not exceed the assessed valuation thereof, except that a valuation made at the expense of the depository by a board or committee of investment of a savings bank or of a trust company, or by the security committee of a co-operative bank, may be taken as the value of the property for the purposes of investment as set forth in this section.

Third. In notes secured by mortgages of real estate; but the amount so invested in any one note shall not exceed eighty per cent of the valuation of the real estate described in the mortgage deed securing the note, such valuation to be determined in the manner prescribed in the second subdivision of this section; nor shall such investment be made if the total of any prior mortgage on the real estate so described, plus the amount to be so invested, exceeds eighty per cent of the valuation, as aforesaid, of that real estate.

Fourth. In notes which are the joint and several obligations of two or more responsible persons, provided that the total amount so invested

shall not exceed twenty per cent of the total amount held for safe keeping.

Fifth. In notes of responsible borrowers with a pledge as collateral of (a) one or more chattel mortgages, (b) jewelry, (c) deposit books of depositors in savings banks or in the savings departments of trust companies or national banks, (d) accounts receivable against actual values properly secured.

Sixth. In notes secured by mortgages of real estate where the amount named in the note is to be advanced in instalments for the construction of buildings; but the total amount so invested on the security of any one note shall never exceed eighty per cent of the assessed valuation of the land plus the total amount of money actually paid out for materials furnished and for work performed in the construction of the buildings on said land: and the tax bill showing the last assessment, and proper evidence to the satisfaction of the commissioner that the money advanced is for actual work performed or materials supplied, shall be kept on file in the office of the depositary where they may be inspected at any time by the commissioner or his assistant.

Seventh. In notes of persons who are depositors with the depositary; but the total amount so loaned to any one person shall never exceed twice the amount due from the depositary to the borrower.

Eighth. In notes which are the joint and several obligations of two or more persons, each of whom is a depositor with the depositary; but the amount so loaned on any one note shall not exceed twice the amount of the total due by the depositary to the borrowers, and in computing this total there shall be deducted from it the balance of any outstanding financial obligations of such persons to the depositary.

Ninth. In the bonds or other obligations of foreign governments; but such investments must first receive the approval of the commissioner.

SECTION 13. The notes evidencing indebtedness to the depositary, mortgage deeds given as security for the notes, and other collateral securing the same, shall not, except with the approval of the commissioner, be pledged as security either for money borrowed by the depositary or for any other obligation incurred by him, and they shall be at all times accessible to the commissioner and his assistants.

Notes and collateral not to be pledged, etc.
1916, 175, § 2.

SECTION 14. All money received for transmission to a foreign country by any person, subject to this chapter, shall be forwarded to the persons to whom the same is directed to be transmitted within seven days after the receipt thereof.

Money to be forwarded.
1916, 175, § 3.

SECTION 15. The receipts given by any person, subject to this chapter, for deposits of money received for transmission to a foreign country, shall be on forms approved by the commissioner, and the use of any form for this purpose which has not so been approved shall be sufficient cause for revocation of the license granted under this chapter.

Form of receipt regulated.
1916, 175, § 4.

GENERAL PROVISIONS.

SECTION 16. Any person entering into or continuing in business contrary to any provision of this chapter, shall be punished by a fine of not less than fifty nor more than one thousand dollars, or by imprisonment for not less than one month nor more than one year, or both.

Penalties.
1905, 428, § 4.

SECTION 17. Police departments of towns shall notify the commissioner of any persons in their respective towns to whom this chapter applies, and the police of the town where any violation of this chapter occurs shall prosecute the offender.

Police to notify commissioner of persons to whom this chapter applies and prosecute offenders.

1906, 408, § 4.

1910, 338, § 2.

SECTION 18. Any violation of sections twelve to fifteen, inclusive, shall be sufficient cause for the revocation of the license granted under this chapter and shall be a violation of the condition of the bond required by section two.

Revocation of license, etc.
1916, 175, § 5.

STATUTES

RELATING TO

CO-OPERATIVE BANKS

CHAPTER 170, GENERAL LAWS

STATUTES

RELATING TO

CO-OPERATIVE BANKS.

General Laws, Chapter 170.

CO-OPERATIVE BANKS.

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INCORPORATION.

SECTION 1. The following words as used in this chapter, unless the Definitions. context otherwise requires, shall have the following meanings:

"Commissioner", the commissioner of banks.

"Corporation", a co-operative bank incorporated as such in this commonwealth.

SECTION 2. Twenty or more persons who associate themselves by a written agreement to form a co-operative bank for the purpose of accumulating the savings of its members in fixed periodical instalments and loaning such accumulations to them may, upon compliance with sections two, three, four and five, become a corporation with all the

Agreement of association.
1854, 454.
G. S. 58.
1877, 224.
§§ 1, 2, 4.

P. S. 117,
 §§ 1, 2, 4.
 1890, 243.
 R. L. 114,
 §§ 2, 3.
 1912, 623,
 §§ 1, 45.
 3 Op. A. G.
 250.

Notice and
 hearing.
 1912, 623, § 2.

First meeting.
 1851, 133,
 §§ 4, 5.
 1855, 478, § 2.
 G. S. 61,
 §§ 3, 5.
 1896, 290, § 4.
 1870, 224.
 §§ 9, 10, 30.
 P. S. 106,
 §§ 18-20.
 R. L. 110,
 §§ 17-19;
 114, § 3.
 1912, 623,
 §§ 3, 45.
 101 Mass. 385.

Articles and
 certificate of
 incorporation.
 1851, 133, § 4.
 1855, 68, § 2.
 1857, 276, § 1.
 G. S. 61, § 8.
 1870, 224, § 11.

powers and privileges and subject to all the duties, restrictions and liabilities set forth in all general laws relating to such corporations. Said agreement shall set forth that the subscribers thereto associate themselves with the intention of forming a corporation to transact business within the commonwealth, and shall specify:

First. The name by which the corporation shall be known, the words "co-operative bank" to form a part thereof.

Second. The purpose for which it is to be formed.

Third. The town where its business is to be transacted.

Each associate shall subscribe to the articles his name, residence and post office address.

SECTION 3. The subscribers to said agreement shall give notice to the board of bank incorporation of their intention to form a co-operative bank and shall apply to said board for a certificate that public convenience and advantage will be promoted by the establishment thereof. Said board may grant such certificate, which shall be deemed revoked if the applicants therefor do not become incorporated and begin business within six months after its date of issue. Upon receipt of such application, said board shall furnish the subscribers a form of notice, specifying the names of the proposed incorporators and the name and location of the proposed co-operative bank and assigning a date and place for a public hearing on the application. The subscribers shall publish the notice at least once a week for three successive weeks, in one or more newspapers designated by said board, and published in the town where it is desired to establish the bank, or, if there is no newspaper in such town, in the town where a newspaper is published, which is nearest to the location of the bank. If said board refuses to issue such certificate, no further proceedings shall be had, but the application may be renewed after one year from the date of the refusal, in which case notice of a public hearing thereon shall be published as herein provided.

SECTION 4. The first meeting of the subscribers to the agreement of association shall be called by a notice signed either by that subscriber to the agreement who is designated therein for the purpose, or by a majority of the subscribers; and the notice shall state the time, place and purpose of the meeting. A copy of the notice shall, seven days at least before the day appointed for the meeting, be given to each subscriber, or left at his residence or usual place of business, or deposited in the post office, postage prepaid, and addressed to him at his residence or usual place of business, and another copy thereof and an affidavit by one of the signers that the notice has been duly served shall be recorded with the records of the corporation. If all the incorporators shall in writing, endorsed upon the agreement of association, waive such notice and fix the time and place of the meeting, no notice shall be required. The subscribers to the agreement of association shall hold the franchise until the organization has been completed. At the first meeting, or at any adjournment thereof, the incorporators shall organize by the choice by ballot of a temporary clerk, by the adoption of by-laws and by the election, in such manner as the by-laws may determine, of a president, a clerk of the corporation, a treasurer, a board of not less than five directors, and such other officers as the by-laws may prescribe. All the officers so elected shall be sworn to the faithful performance of their duties. The temporary clerk shall make and attest a record of the proceedings until the clerk has been chosen and sworn, including a record of the choice and qualification of the clerk.

SECTION 5. The president and a majority of the directors who are elected at the first meeting shall make, sign and make oath to, articles in duplicate setting forth:

(a) A true copy of the agreement of association, the names of the subscribers thereto, and the name, residence and post office address of each of the officers of the corporation.

(b) The date of the first meeting and the successive adjournments thereof, if any.

One duplicate original of the articles so signed and sworn to shall be submitted to said board, and the other, together with the records of the proposed corporation, to the commissioner of corporations and taxation, who shall examine the same and may require such amendment thereof or such additional information as he considers necessary. If he finds that the articles conform to the three preceding sections, and that section three has been complied with, he shall so certify and endorse his approval thereon. Thereupon the articles shall be filed in the office of the state secretary, who upon receipt of five dollars, shall cause the same, with the endorsement thereon, to be recorded, and shall thereupon issue a certificate of incorporation in the following form:

P. S. 106, § 21.
R. L. 110, § 20;
114, § 3.
1912, 623,
§§ 4, 45.
1919, 350, § 53.
149 Mass. 436.
151 Mass. 558.

COMMONWEALTH OF MASSACHUSETTS.

Be it known that whereas (the names of the subscribers to the agreement of association) have associated themselves with the intention of forming a corporation under the name of (the name of the corporation), for the purpose (the purpose declared in the agreement of association), and have complied with the provisions of the statutes of this commonwealth in such case made and provided, as appears from the articles of organization of said corporation, duly approved by the commissioner of corporations and taxation and recorded in this office: now, therefore, I (the name of the state secretary), secretary of the commonwealth of Massachusetts, do hereby certify that said (the names of the subscribers to the agreement of association), their associates and successors, are legally organized and established as, and are hereby made, an existing corporation under the name of (name of the corporation), with the powers, rights and privileges, and subject to the limitations, duties and restrictions, which by law appertain thereto.

Witness my official signature hereunto subscribed, and the Great Seal of the commonwealth of Massachusetts hereunto affixed, this
day of _____ in the year (the date of the filing of the articles of organization).

The state secretary shall sign the certificate of incorporation and cause the great seal of the commonwealth to be thereto affixed, and such certificate shall have the force and effect of a special charter. The existence of every such corporation which is not created by special law shall begin upon the filing of the articles of organization in the office of the state secretary, who shall also cause a record of the certificate of incorporation to be made, and such certificate or such record, or a certified copy thereof, shall be conclusive evidence of the existence of the corporation.

MANAGEMENT.

SECTION 6. The shareholders of every such corporation shall make and adopt the necessary by-laws consistent with law for the government of its affairs, and a copy thereof shall be filed in the office of the commissioner of banks.

The by-laws shall provide for and determine:

(a) The time for holding the annual meeting of the shareholders and the monthly meetings of the board of directors, and for the receipt of moneys.

(b) The manner of calling either regular or special meetings.

(c) The number necessary to constitute a quorum at all meetings.

(d) The qualifications of electors.

(e) The number, title and duties of officers and standing committees, their terms of office and the manner of their election or appointment.

(f) The care and custody of money, securities and property of the bank.

(g) The method of loaning the funds of the bank.

By-laws.
1877, 224,
§§ 6, 16.
P. S. 117, § 6.
1901, 123.
R. L. 114, § 6.
1912, 623,
§§ 5, 45.

(h) The proportion of profits, if any, to be reserved upon voluntary withdrawals.

(i) The time within which satisfactory security for real estate loans shall be offered.

(j) Whether partial payments of less than fifty dollars may be received upon loans.

(k) The rate of fines to be charged upon delinquent payments.

(l) The manner of transferring shares and the fee therefor.

(m) The manner and conditions under which the by-laws may be amended.

Officers,
election, etc.
1877, 224,
§§ 6, 16.
P. S. 117, § 6.
1885, 121, § 1.
1901, 123.
R. L. 114, § 6.
1912, 623,
§§ 6, 45.
1914, 643, § 1.

SECTION 7. The business and affairs of every such corporation shall be managed by a board of not less than five directors to be elected by the shareholders. Directors may be elected for terms of not less than one nor more than three years, and, in case the term is more than one year, they shall be divided into classes and an equal number, as nearly as may be, elected each year. All vacancies in the board or in any office may be filled by the board of directors for the unexpired term. Every officer and director when appointed or elected shall take an oath that he will faithfully and impartially discharge the duties devolving upon him, and the fact that the oath has been taken shall be entered in the records of the corporation. The president, vice president and treasurer may be chosen either by the shareholders or by the board of directors as the by-laws may determine. No shareholder shall be entitled to more than one vote at any meeting, and no shareholder shall vote by proxy. All officers shall be elected by ballot, shall be shareholders when nominated and shall continue to hold their offices until their successors have been chosen and shall have assumed their duties and no such corporation shall expire from neglect to elect officers at the time prescribed in its by-laws. If an officer ceases to be a shareholder his office shall thereupon become vacant.

Security
committee.
1912, 623, § 7.

SECTION 8. At the first meeting of the board of directors after the annual meeting for the election of officers, the board shall elect from its own number a security committee of at least three members, whose duty shall be to examine real estate offered as security for loans and to report thereon as required by section twenty-five.

The personal examination of any parcel of real estate by the security committee may be omitted by special vote of the board of directors.

No member of the security committee shall make an official report upon property offered as security for a loan in which he has a personal interest.

Duties of
treasurer.
1877, 224, § 14.
P. S. 117, § 17.
1898, 247, § 1.
R. L. 114, § 7.
1912, 623,
§§ 8, 45.

SECTION 9. The treasurer shall keep the accounts and have charge of all books and papers necessary therefor, and dispose of and secure the safe keeping of all money, securities and property of the corporation, in the manner designated by the by-laws, and the treasurer and all other permanent employees having access at all times to the cash or negotiable securities, shall each give, subject to section twenty-four of chapter one hundred and sixty-eight, a bond for the faithful performance of their respective duties in such amount as the board of directors may require.

Assistant
treasurer.
1916, 22.

SECTION 10. Subject to the approval of the commissioner, such corporation may provide in its by-laws for an assistant treasurer, and for his election by either the shareholders or the board of directors. He may perform all of the duties of the treasurer as provided in the preceding section.

Meetings,
place of
business.
1877, 224,
§§ 5, 7, 9.
1881, 271,
§ 1, cl. 3.
P. S. 117, § 7.

SECTION 11. The board of directors shall hold stated monthly meetings at any place in the town where the bank is located, and its usual business shall be transacted at its office only, which shall be in the town named in its agreement of association; but moneys due the bank may be collected by the treasurer, or other person duly empowered by the directors, upon such days and in such other places as may be designated

by vote of the directors and approved by the commissioner, and the bank may advertise its branch in such manner as the commissioner may prescribe.

1912, 623, §§ 9, 45.

1915, 38.

1900, 249.
R. L. 114,
§§ 8, 27.

CAPITAL.

SECTION 12. The capital to be accumulated shall be unlimited and shall be divided into shares of the ultimate value of two hundred dollars each. The shares may be issued in quarterly, half yearly or yearly series, in such amounts and at such times as the board of directors may determine. Shares of a prior series may be issued after a new series, subject to the approval of the board of directors. Paid-up shares may be issued, subject to such approval, each share to have a value of two hundred dollars, which shall be paid by the purchaser when the shares are issued, together with interest from the last distribution of profits at a rate fixed by the directors, but not in excess of the rate distributed to unmatured shares. Paid-up shares shall participate in each distribution of profits in the same manner and to the same extent as matured shares, as provided in section forty, but at a rate not to exceed five per cent. No person shall hold more than forty unmatured shares or more than ten matured and ten paid-up shares in any one bank at the same time. Paid-up shares may be withdrawn or retired in the manner provided in sections sixteen and eighteen for matured shares.

SECTION 13. On or before the regular monthly meeting for the receipt of moneys, as fixed by the by-laws, every shareholder shall pay to the corporation, as a contribution to its capital, one dollar as dues upon each unmatured share held by him until it is withdrawn, forfeited, retired or matured. Payment of dues on each series shall begin with its issue.

P. S. 117, § 7.

R. L. 114, § 8.

1912, 623, §§ 11, 45.

1914, 643, § 3.

Issue of shares.
1877, 224, § 5.
P. S. 117, § 5.
1887, 216, § 1.
R. L. 114, § 4.
1903, 147, § 1.
1912, 623,
§§ 10, 45.
1914, 643, § 2.
1915, 77.
1918, 85, § 1.
1920, 429.
2 Op. A. G. 484.

Payment
of dues.
1877, 224,
§§ 5, 7, 9.
1881, 271,
§ 1, cl. 3.

SECTION 14. Shares may be issued in the name of a minor, and may, in the discretion of the directors, be withdrawn, as provided in section sixteen, by the minor or by his parent or guardian, and in either case payments made on such withdrawals shall be valid. A minor under the age of eighteen shall not have the right to vote. If shares are held in trust, the name and residence of the beneficiary shall be disclosed and the account shall be kept in the name of the holder as trustee for such person. If no other notice of the existence and terms of the trust has been given in writing to the corporation, such shares may, upon the death of the trustee, be withdrawn by the person for whom such deposit was made or by his legal representatives.

SECTION 15. Shares may be issued to, or in the name of, two persons or the survivor; and in the event of the death of either, the corporation shall be liable thereon only to the survivor, and while both are living payment to either shall discharge the liability to both. The joint ownership of shares shall not confer the right to vote to a greater extent than if they were held by an individual.

SECTION 16. Upon giving thirty days' written notice to the treasurer of his intention so to do, a shareholder may withdraw unpledged shares, but the board of directors of such corporation may at any time require a member holding unpledged matured shares to give ninety days' written notice of his intention so to do. He shall be paid the balance remaining after deducting from the amount then standing to the credit of the shares all fines, any other charges legally incurred, and such part of the profits credited thereto, as the by-laws may prescribe; but at no time shall more than one half of the funds in the treasury be applicable to the demands of withdrawing shareholders without the consent of the directors. All withdrawals shall be paid in the order in which notices thereof are given, and the treasurer may waive such notices, in his discretion, under

Shares issued
to minors or
trustees.
1887, 216, § 3.
R. L. 114, § 5.
1912, 623,
§§ 12, 45.

Joint accounts.
1912, 623, § 13.

Withdrawal
of shares.
1877, 224, § 10.
1881, 271,
§ 1, cl. 3.
P. S. 117, § 8.
1882, 251, § 1.
1887, 216, § 2.
R. L. 114, § 9.
1903, 95, § 1.
1912, 623,
§§ 14, 45.
1914, 643, § 4.
1920, 110.
149 Mass. 167.

such restrictions as may be imposed by the board of directors. On any occasion when there is an unusual demand by shareholders for real estate loans or for withdrawal from the funds of any such corporation, it may, by a vote of at least three fifths of its directors and with the consent of the commissioner, borrow from any national bank, savings bank, co-operative bank or trust company for a period of not more than six months. As security for such loans, it may pledge any portion of its securities or resources.

**Forfeiture
of shares.**
1877, 224, § 13.
P. S. 117, § 15.
1896, 285.
R. L. 114, § 18.
1912, 623,
§§ 15, 45.

SECTION 17. The shares of a non-borrower who continues in arrears more than six months shall, at the option of the directors, if he fails to pay the arrears within thirty days after notice, be declared forfeited, and the withdrawal value of the shares at the time of forfeiture shall be ascertained, and, after deducting all fines and other legal charges, the balance remaining shall be transferred to an account to be designated the "Forfeited Share Account", to the credit of the defaulting shareholder, who shall be entitled, upon giving thirty days' notice, to receive out of the funds appropriated for the payment of withdrawals the balance so transferred without interest from the time of the transfer, all defaulting shareholders being entitled to receive their balance so transferred in the order in which their respective notices are given. All shares forfeited shall cease to participate in any profits accruing after the adjustment and valuation of shares last preceding said forfeiture.

**Retirement
of shares.**
1877, 224, § 10.
1881, 271,
§ 1, cl. 3.
P. S. 117, § 8.
1882, 251, § 1.
1887, 216, § 2.
R. L. 114, § 9.
1903, 95, § 1.
1912, 623,
§§ 16, 45.
1914, 643, § 5.

SECTION 18. The directors may retire the unpledged shares of any series after four years from the date of their issue, by enforcing the withdrawal of the same in the following manner: the treasurer shall seasonably send to every shareholder in the series in which shares are to be retired a notice in the following form, and the shares shall be retired in accordance with its provisions:

The board of directors have voted to retire on the
day of _____, 19____, _____ shares in series No.
_____, in which you are a shareholder.

Should you desire to have your shares, or any number of them, retired and to receive the full value thereof, you will please notify the treasurer in writing on or before _____, 19____.

If the shares voluntarily offered exceed the number desired, the shares to be retired will be determined by lot from those offered.

If the number so offered is less than the number desired, the number offered shall be retired and the balance determined by lot from the remaining shares in the series.

The directors may, under rules made by them, retire matured shares at any time and in such order and manner as they may provide.

The shareholders whose shares are retired shall be paid the full value thereof, less all fines and any other charges legally incurred. Shares pledged for share loans shall be treated as unpledged shares. Whenever shares are retired between the dates of adjustment of profits, interest shall be paid upon the full value of the shares from the date of the preceding adjustment to the date of retirement, at the rate at which profits were distributed at said preceding adjustment.

The commissioner, whenever he deems it necessary for the welfare of the shareholders in any such corporation, may order the retirement of matured shares, or of unmatured shares in any series after four years from the date of issue, and the board of directors shall, in the manner hereinbefore provided, comply with the order of the commissioner.

**Maturity
of shares.**
1881, 271,
§ 1, cl. 3.
P. S. 117, § 9.
1882, 251, § 1.
1887, 216, § 5.
1898, 247, § 3.

SECTION 19. Whenever shares of a given series reach the value of two hundred dollars, either by the payment of dues, the addition of a regular dividend or the addition of interest as hereinafter provided, they shall be deemed matured and all payments of dues thereon shall cease, and the owner of each unpledged share shall be paid out of the funds of the corporation the matured value thereof; or if he shall so elect, and

at the option of the directors, there may be entered on his pass book any number of shares that have matured, not exceeding ten, and such shares shall continue as matured shares in said corporation, subject to be withdrawn or retired as provided in sections sixteen and eighteen, but at no time, except as provided in section twenty, shall more than one half of the funds in the treasury be applicable to payment of shares, either matured or unmatured or both, without the consent of the directors. For the purpose of determining the maturity of shares between the dates of adjustment of profits, there shall be added to the value of the shares interest for all full months from the date of the preceding adjustment to the date when the addition thereof will mature the shares. The interest to be added shall be at the same rate at which profits were distributed at the last preceding adjustment; but before the payment of matured shares all arrears and fines shall be deducted. In the event of a dissolution and winding up of such corporation, by process of law or otherwise, any member holding matured shares of such corporation shall not thereby be entitled to any preference over any holder of unmatured shares, and all shares, whether matured or unmatured, shall be held and treated as belonging to one general class of liability.

R. L. 114, § 10.
1903, 95, § 2.
1912, 623,
§§ 17, 45.
1914, 643, § 6.
4 Op. A. G. 388.

SECTION 20. Whenever a notice of withdrawal of either matured or unmatured shares has been filed, or shares have reached maturity, and either shall have remained unpaid for a period of six months from the date when payment thereof is due, all the receipts of the bank from any source whatever shall, after the payment of the legitimate expenses of conducting business, be applied to the payment of such withdrawals and matured shares; and the board of directors or the commissioner, at his discretion, may direct that such payments shall be made upon a ratable and proportionate basis. This section shall not apply to a bank which may become subject to sections twenty-two to thirty-six, inclusive, of chapter one hundred and sixty-seven.

Payment of deferred withdrawals, and matured shares.
1912, 623, § 18.
1914, 643, § 7.

LOANS AND INVESTMENTS.

SECTION 21. The funds accumulated, after due allowance for all necessary expenses and the payment of shares, shall, at each stated monthly meeting, be offered to applicants according to the premium bid by them for priority of right to a real estate or share loan, which shall consist of a percentage charged on the amount loaned in addition to interest, at a rate not less than five per cent per annum, payable in monthly instalments. If the corporation so provides in its by-laws, the bid for loans shall, instead of a premium, be a rate of annual interest not less than five per cent per annum payable in monthly instalments upon the amount desired. Any such corporation may, when so authorized by its by-laws, dispense with the offering of its money for bids, and in lieu thereof may loan its money at such rate of interest not less than five per cent per annum or interest and premium as may be fixed, from time to time, by the board of directors, in which case the priority of right to a loan shall be decided by the priority of the approved applications therefor. Such bids or rates shall include the whole interest to be paid and may be at any rate not less than five per cent per annum.

Methods of loaning funds.
1877, 224,
§§ 7, 12.
1891, 271,
§ 1, cl. 4.
P. S. 117,
§§ 10, 11.
1882, 251, § 2.
1890, 78.
1896, 277.
R. L. 114,
§§ 11, 12.
1910, 288.
1912, 623,
§§ 19, 45.
4 Op. A. G. 335.

SECTION 22. Any person whose application is accepted shall be entitled, upon giving proper security, to receive a real estate loan of a sum not exceeding two hundred dollars for each unpledged share held by him, or a share loan within the limitations hereinafter provided.

Limitation of loans.
1877, 224, § 7.
P. S. 117, § 10.

1890, 78.
1896, 277.

R. L. 114, § 11.
1910, 288.

1912, 623, §§ 20, 45.

SECTION 23. The directors may invest any unsold or surplus funds in any of the securities named in the second fifty-four of chapter one hundred and sixty-eight, or may loan such funds upon first mortgages of real estate situated in this commonwealth, or upon the

Loans and investments of unsold funds.
1891, 271,
§ 1, cl. 4.

P. S. 117, § 10.
 1890, 78.
 1896, 277.
 R. L. 114, § 11.
 1910, 288.
 1912, 623,
 §§ 21, 45.
 Interest
 payments.
 1881, 271,
 § 1, cl. 3.
 P. S. 117, § 12.
 R. L. 114, § 13.
 1912, 623,
 §§ 22, 45.

Applications
 for loans on
 real estate.
 1912, 623, § 23.

Loans on
 real estate.
 1877, 244, § 8.
 1881, 271, § 1,
 cl. 1.
 P. S. 117, § 13.
 1889, 159, § 1.
 1894, 342, § 1.
 R. L. 114, § 14.
 1904, 292.
 1912, 623,
 §§ 24, 45.
 1918, 83, § 2.
 2 Op. A. G. 462.

Loans on
 shares.
 1912, 623, § 25.
 1918, 101.
 4 Op. A. G. 388.

Agreement for
 reduction of
 interest or
 premium.

shares of the bank, upon the conditions imposed by section twenty-five, twenty-six or twenty-seven of this chapter; but in either case the loans shall be at the highest rate obtained on a real estate loan at the last preceding monthly sale of money or at the prevailing rate when fixed by the board of directors.

SECTION 24. A borrowing shareholder shall, in addition to the dues on his shares, pay interest, and the premium, if any, monthly on his loan, at the determined rate, until his shares reach their matured value, or until the loan has been repaid. Interest may be computed from the date on which the money is advanced; and when the said matured value is reached, the shares shall be cancelled, the loan discharged, and the balance, if any, due upon the shares shall be paid to the member.

1917, 52.

4 Op. A. G. 388.

SECTION 25. No loan shall be made upon real estate unless a written application is made therefor, showing the date, name of applicant, amount of loan desired, description of property offered and other information deemed necessary. A written report thereon shall be made by at least two members of the security committee, signed by them, approving the security offered and certifying to the value of the property according to their best judgment. The application and report shall be filed and preserved with all other papers relating to the loan, and when a loan is made the equity of the borrower shall be at least twenty per cent above all encumbrances when the security is improved real estate, and at least fifty per cent when the security is vacant land, less the withdrawal value, at the time when the loan is made, of any shares that are pledged as security therefor.

SECTION 26. For every loan made upon real estate a note shall be given, accompanied by a transfer and pledge of the requisite number of shares standing in the name of the borrower, and secured by a mortgage of real estate situated in the commonwealth, the title to which is in the name of the borrower and which is unencumbered by any mortgage or lien other than municipal liens or such as may be held by the bank making the loan. No loan upon one parcel of real estate shall exceed eight thousand dollars. The shares so pledged shall be held by the corporation as collateral security for the performance of the conditions of the note and mortgage. The note and mortgage shall recite the number of shares and the series to which the shares belong and the amount of money advanced thereon, and shall be conditioned upon the payment at or before the stated meetings of the corporation of the monthly dues on said shares, and the interest and premium, if any, upon the loan, with all fines on payments in arrears, until said shares reach their matured value, or said loan is otherwise cancelled and discharged.

If the borrower fails to offer security satisfactory to the directors within the time prescribed by the by-laws, his right to the loan shall be forfeited and he may be charged with one month's interest and one month's premium, if any, at the determined rate, and with such part of the expenses incurred as may be determined by the board of directors; and the money appropriated for such loan may subsequently be realoaned.

SECTION 27. Loans may be made upon unpledged shares to an amount not exceeding ninety per cent of their withdrawal value at the time of the loan, and for every such loan a note shall be given, accompanied by a transfer and pledge of the shares borrowed upon. Loans may be made upon matured shares to an amount not exceeding ninety per cent of their face value, as represented by the certificate. For every such loan a note shall be given accompanied by a transfer of the certificate as collateral for the loan.

SECTION 28. If a borrower purchases money at a lower rate than that paid by him on an existing loan, secured by a mortgage, for the purpose by him declared of reducing the premium or rate of interest

upon said loan, a new mortgage shall not be required, but a written agreement for the reduction of said premium or rate of interest, signed by the borrower and the treasurer of the bank, with the written approval of the president, shall be valid, and shall not impair or otherwise affect the existing mortgage; and thereafter the borrower shall make the monthly payments on the loan in accordance with the terms of said agreement, and the amount of money previously so purchased by him may be resold by the bank at the same meeting.

SECTION 29. A borrower or one of several joint borrowers or his heirs or assigns may repay a loan at any time, whereupon his account shall be charged with the full amount of the loan, all monthly instalments of interest, premium and fines in arrears and any other legal charges, and shall be given credit for the withdrawal value of his shares pledged and transferred as security; the pass book shall be surrendered to the corporation and the balance shall be received by the corporation in full satisfaction of said loan. All settlements made between stated meetings of the directors shall be made as of the date of the stated meeting next succeeding such settlement. A borrower desiring to retain his shares and membership may repay his loan without claiming credit for his shares, whereupon the shares shall be transferred to him free from any claim on account of the repaid loan.

Partial payments of loans shall be received in amounts of fifty dollars or a multiple thereof, or in such less amount as may be fixed by the by-laws. For each two hundred dollars so repaid upon a real estate loan one share of stock shall be released from pledge.

With the approval of the board of directors, any borrower upon real estate security, unless the property is encumbered by a mortgage other than that held by the bank and dated prior to November first, nineteen hundred and twelve, may have the full value of the shares upon which the loan is predicated, less such sum as will leave the amount of the loan a multiple of fifty dollars, applied as a credit to the amount of the loan as hereinafter provided, whereupon such shares shall become cancelled, and new shares in the current series shall be issued to the borrower in the proportion of one share to each two hundred dollars of the loan remaining unpaid after the application of the value as aforesaid. The new shares issued shall be transferred and pledged to the bank as security for the balance of the loan, and the fact thereof shall be endorsed upon or attached to the note in the following form:

The value of the shares herein pledged, less such sum as will leave the amount of the loan a multiple of fifty dollars, amounting to \$ ¹⁹ has this day been applied as a credit upon this note, leaving a balance due and unpaid of \$, to secure which shares of series have been issued, and are hereby transferred and pledged. For value received, I promise to pay to said corporation or to its order dollars at or before its monthly meeting on the of each month hereafter, being the amount of the monthly dues on the shares hereby substituted, and of the monthly interest upon said balance of \$, together with all fines chargeable by the by-laws of said corporation upon arrears of such payments until said substituted shares shall reach maturity, or otherwise sooner to pay to said corporation or its order the said balance of \$, with interest and fines as aforesaid.

Witness,

Treasurer.

Neither the note evidencing the loan nor the mortgage securing the same shall be prejudiced by the application of the value and the change of shares, notwithstanding the fact that a provision for such application and change was not originally made in the note or mortgage, and both note and mortgage shall continue to be held by the bank as good and sufficient security for the balance remaining unpaid. After the appli-

1894, 342, § 2.
R. L. 114, § 15.
1912, 623,
§§ 26, 45.
4 Op. A. G. 335.

Repayment
of loans.
1877, 224, § 11.
P. S. 117, § 14.
1887, 216, § 4.
R. L. 114,
§§ 16, 17.
1906, 280.
1912, 623,
§§ 27, 45.

Real estate acquired. Common form mortgages. 1877, 224, § 17. P. S. 117, § 19. 1898, 247, § 2. 1900, 214. R. L. 114, § 26. 1912, 623, §§ 28, 45. 1 Op. A. G. 401. May hold real estate used as place of business. 1913, 264.

Recovery of loan. 1877, 224, §§ 8, 13. P. S. 117, § 18. 1882, 251, § 1. 1885, 121, § 4. R. L. 114, § 19. 1912, 623, §§ 29, 45. 2 Op. A. G. 286.

Borrowers engaged in war service; payments may be suspended. 1915, 47, § 1.

Resumption of such payments. 1915, 47, § 2.

cation of the value as a credit, the amount of the loan shall forthwith be reduced to an equal extent, and the borrower shall thereafter be liable for only the reduced amount and any arrearages or penalties occasioned by his own default.

SECTION 30. Any such corporation may purchase at public or private sale real estate upon which it may have a mortgage, judgment, lien or other encumbrance, or in which it may have an interest, and may sell, convey or lease the real estate acquired by it and, on the sale thereof, may take a mortgage thereon in common form to secure the payment of the purchase price or of a part thereof. All real estate shall be sold within five years after the acquisition of the title thereto; but the commissioner may, on petition of the security committee of the corporation and for cause, grant additional time for the sale of the same.

SECTION 31. Any such corporation may, with the approval of the commissioner, invest a sum not exceeding its surplus account in the purchase of a suitable site and the erection or preparation of a suitable building for the convenient transaction of its business, but in no case exceeding two per cent of its dues capital.

SECTION 32. If a borrower is in arrears for dues, interest, premium or fines for more than four months, or commits any other breach of the conditions of a mortgage, the directors may, after twenty-one days' notice, mailed to the last known address of the borrower, declare the shares forfeited if the arrears then remain unpaid or such breach continues. The account of such borrower shall then be debited with the arrears of interest, premium and fines to the date of forfeiture, and the shares shall be credited upon the loan at their withdrawal value. The balance of the account shall immediately become due and payable, and may, and after six months shall, be enforced against the security, and be recovered, together with interest thereon, as all debts are recovered at law. If the shares of a borrower are in arrears at the maturity of the series, his account shall be charged with the amount of the loan and all arrears at the date of maturity, and shall be credited with the value of the shares; the balance of the account shall immediately become due and payable and may, and after six months shall, be enforced against the security, and be recovered, together with interest thereon, as all debts are recovered at law.

SECTION 33. For the accommodation of any borrower who is actually engaged in the military or naval service of the United States, or who is the wife or a dependent member of the family of a person so engaged, the directors of such corporation may, at their option, endorse on the mortgage note of such borrower held by the bank, the full value of the shares pledged to secure the same, and thereupon such shares shall be cancelled and further payments and fines thereon waived, provided that the person seeking such accommodation, or any person in his behalf, shall sign a written request therefor, agreeing in consideration thereof, to abide fully by the terms of this and the following section. Interest, however, shall continue to be paid monthly on the balance at the original rate, subject to such fine as may be prescribed by the by-laws of the bank for default by shareholders in payment of interest and to foreclosure or other remedy provided by law, in case of default.

SECTION 34. At any time after the expiration of the said military or naval service, or upon the alienation of the mortgaged estate, the person thus accommodated, or his successors in title, shall, at the request of the directors, subscribe to and pledge as security for said balance, one new share in the current series issued by the bank, for each two hundred dollars or fraction thereof of said balance. Failure to subscribe to and pledge such shares, when so requested, or to make payments thereon in accordance with law or the by-laws of the bank, shall render said balance immediately due and payable, and payment thereof may be enforced against the security by foreclosure proceedings or by any other remedy provided by law for the collection of debts.

SECTION 35. The two preceding sections shall not affect the rights of junior encumbrancers.

1918, 47, § 3.

SECTION 36. Any such corporation may insert in its form of real estate mortgage a clause providing that in case of any loss by fire on the mortgaged property in respect to which the fire insurance companies shall deny liability as to the insured the bank may at its option assign the debt and note for which the mortgage was given, and also the mortgage, to the insurance companies, upon payment to the bank by such companies of the amount due upon the mortgage loan at the time of the fire, together with the unpaid interest, premium and fines, if any, accrued thereon at the date of the assignment less the value of the forfeited shares as hereinafter provided, whereupon the note and mortgage shall forthwith become a note and mortgage for such total balance due, payable upon demand with interest semi-annually at the same rate, including premium, if any, as therein stated, the first payment of interest to be due six months after the date of the assignment, and any shares of the bank pledged as security for the note and mortgage loan shall be forfeited by the bank immediately before the execution and delivery to the insurance companies of such assignment, and the withdrawal value of shares so forfeited shall, at the time of the assignment, be credited as a part payment on said mortgage loan, the balance thereof being the balance of the loan due at the time of the assignment to the insurance companies as aforesaid. Any mortgage note taken under this section shall contain proper reference thereto.

Junior encumbrancers not affected. Assignment of loans to insurance companies. 1907, 351. 1912, 623, § 30.

GENERAL PROVISIONS.

SECTION 37. A shareholder making default in the payment of his monthly dues, interest and premiums, shall be charged such a fine, not exceeding two per cent a month on each dollar in arrears, as may be fixed by the by-laws. No fines shall be charged after the expiration of six months from the first lapse in any such payment, nor upon a fine in arrears.

No shareholder whose shares are withdrawn, forfeited or retired, shall be charged with fines upon such shares in excess of the profits distributed thereto, and if no profits shall have been distributed to such shares no fines shall be charged thereon. This section shall not prevent a borrower from being charged with fines according to law upon interest and premiums in arrears.

Fines. 1877, 224, § 13. P. S. 117, § 15. 1895, 172. 1896, 285. R. L. 114, §§ 18, 20. 1912, 623, §§ 31, 45.

SECTION 38. No such corporation, and no person acting in its behalf, shall ask for, take or receive a fee, brokerage, commission, gift or other consideration for or on account of a loan made by or on behalf of such corporation, other than appears on the face of the note or contract by which the loan purports to be made; but this section shall not apply to a reasonable charge for services in the examination of property and titles, and for the preparation and recording of conveyances to the corporation as security for its loans. Whoever violates any provision of this section shall be punished by a fine of not less than one hundred nor more than one thousand dollars.

Bank or officers not to take certain fees, etc. Penalty. 1897, 161. R. L. 114, § 21. 1912, 623, §§ 32, 45.

SECTION 39. Any such corporation may charge a fee for the transfer of shares not exceeding twenty-five cents. The amount of such fee shall be fixed by the by-laws. Shares, both unmatured and matured, may be transferred only on the books of the corporation, in such manner as its by-laws may provide.

Transfer of shares. Fee. 1912, 623, § 33. 1914, 643, § 8.

SECTION 40. The board of directors shall distribute the profits and losses annually, semi-annually or quarterly to the shares then existing, and whenever a new series of shares is to be issued. Profits and losses shall be distributed to the various shares existing at the time of such distribution, in proportion to their value at that time, and shall be computed upon the basis of a single share fully paid to the date of distribution. Losses shall be apportioned immediately after their occurrence. At each distribution of profits on unmatured shares there shall also be

Distribution of earnings. 1877, 224, § 15. 1881, 271, § 1, cl. 2. P. S. 117, § 18. R. L. 114, § 23. 1912, 623, §§ 34, 45. 1914, 643, § 9.

distributed profits on outstanding matured shares at a rate per cent fixed by the directors but not in excess of the rate distributed to unmatured shares. Profits distributed on outstanding matured shares shall be credited to the owner thereof and shall be payable on demand at any time thereafter, out of the funds of such corporation, and upon such profits not withdrawn no interest or profits shall accrue or be distributed. The board of directors shall cause to be recorded in the minutes of its meetings the distribution of all profits and losses.

Guaranty
fund.
1885, 121, § 2.
R. L. 114, § 24.
1903, 203.
1912, 623,
§§ 35, 45.

SECTION 41. At each distribution of profits the board of directors shall reserve as a guaranty fund not less than one nor more than five per cent of the net profits accrued since the last preceding adjustment, until such fund amounts to five per cent of the dues capital and profits capital, and the fund shall thereafter be maintained and held, and shall at all times be available to meet losses in the business of the corporation from depreciation of its securities or otherwise. The board of directors may at any time, by vote duly recorded, transfer to the guaranty fund such part of the surplus account as they deem wise.

Surplus
account.
1900, 273.
R. L. 114, § 25.
1912, 623,
§§ 36, 45.

SECTION 42. At each distribution of profits not more than one per cent of the net profits accrued since the last preceding adjustment shall be credited to the surplus account unless there shall have been reserved and credited to the guaranty fund the maximum per cent of the net profits under the preceding section. Any such corporation may hold in its surplus account such sum as the board of directors may, from time to time, deem wise; but whenever the guaranty fund and surplus account together exceed five and one fourth per cent of the dues capital and profits capital, the board of directors shall declare an extra dividend at such rate as may be necessary to apportion to the shareholders the accumulation in excess of five per cent of dues capital and profits capital.

General
accounts.
1877, 224, § 14.
P. S. 117, § 17.
R. L. 114, § 22.
1912, 623,
§§ 37, 45.
173 Mass. 54.

SECTION 43. The general accounts of every such corporation shall be kept by double entry and the treasurer shall, at least monthly, make a trial balance of such accounts, to be recorded in a book provided for that purpose. All money received from each shareholder shall be received by persons designated by the directors, and entered in a pass book provided for the use of, and to be held by, the shareholder. The pass book shall be plainly marked with the name and address of the shareholder, the number of shares held by him and the number or designation and date of issue of each series or issue to which said shares, respectively, belong. All payments from the funds of every such corporation shall be made by the treasurer, and the record of such payments shall show the date, name of payee, amount, purpose for which made, and the signature of the payee acknowledging receipt of the funds.

Annual
reports.
1889, 159, § 2.
1895, 171.
R. L. 114, § 30.
1910, 364.
1912, 623,
§§ 38, 45.

SECTION 44. Every such corporation shall annually, within thirty days after the last business day of October, make to the commissioner, in such form as he prescribes, a report, signed and sworn to by the treasurer of the corporation, showing accurately the condition thereof at close of business on that day. The president and three or more directors shall certify and make oath that the report is correct, according to their best knowledge and belief. If a report is defective or appears to be erroneous, the commissioner shall notify the bank to amend the same within fifteen days. A bank neglecting to make the report required by this section on or before the time named therein, or to amend the same within fifteen days, if notified by the commissioner so to do, shall forfeit five dollars for each day during which such neglect continues.

Consolidation
of banks.
1904, 392.
1912, 623, § 39.

SECTION 45. If two or more such banks doing business in the same town desire to consolidate, a special meeting of the shareholders of each of said banks shall be called, and notice of such special meeting and of the business to come before it shall be sent by the clerk of each bank to each member thereof by mail, postage prepaid, at least seven days before the date of the meeting. Notice of the meeting shall also be advertised three times in one or more newspapers published in that town, and if

there be none such, then in a newspaper published in the county where the town is located, the last publication to be at least one day before the meeting; and if two thirds or more of the shareholders of each of the banks intending to consolidate signify in writing their approval of the consolidation, and if two thirds or more of the shareholders of each of said banks, present and voting at such special meeting, vote in favor of the consolidation, then the board of directors of each bank shall forthwith petition the commissioner for authority to consolidate in accordance with the following provisions.

(a) The said petition shall be in writing, signed for and in behalf of the board of directors of each bank by the president and treasurer thereof, and shall have annexed thereto an affidavit signed and sworn to by the clerk stating that the notices of the special meeting were duly given and that the preceding requirements of this section were complied with, and the affidavit shall be prima facie evidence that such requirements were complied with. There shall also be annexed to the petition a duly attested copy of the records of the meeting of the shareholders of each bank authorizing such action, signed by the clerk, and a duly attested copy of the balance sheet of each bank at the close of business on the last day of the month previous to the date of the petition, signed by the treasurer.

(b) The commissioner shall at once select a competent auditor, who shall make a thorough audit of the books and assets of each bank, which shall include a verification of the pass books of the shareholders with the ledgers of each bank. The auditor shall submit a written report of his findings to the commissioner; and the expenses of such audit, provided that the consolidation is not finally approved by the commissioner, shall be borne by the petitioning banks in proportion to their dues capital, but if the consolidation is approved and carried out the continuing bank shall bear the expense of the audit, legal services and other charges, authorized and incident to the proposed consolidation.

(c) If the said reports disclose to the commissioner a condition favorable to consolidation, the order for consolidation may be issued with instructions in detail as follows:

(1) The assets of each bank shall be turned over to the continuing bank as soon as the order for consolidation is issued by the commissioner, and the continuing bank shall thereupon assume all liabilities accrued on account of the outstanding shares issued by the banks the assets of which are so taken over, and shall be subject to all the liabilities of such banks except as otherwise specifically provided herein, and thereafter all business shall be done under the title of the continuing bank except as otherwise provided in subdivision (f).

(2) No more shares shall be sold by the banks taken over, but during the life of the series of shares already issued by such banks, and outstanding, separate accounts shall be kept, and the monthly payments shall be due and payable as if said banks had not been taken over.

(d) All liabilities of the consolidated banks for current expenses shall be adjusted and paid by each bank before the consolidation is finally approved by the commissioner, and a certificate to that effect from each bank, signed and sworn to by its president, treasurer and a majority of its directors, shall be filed with the commissioner and shall be prima facie evidence that the said liabilities have been discharged in full.

(e) At the time of, and upon final approval of, the consolidation, all the offices of the banks whose assets and business are taken over by the continuing bank shall forthwith become vacant and be abolished, and the continuing bank, its officers, by-laws and rules for doing business, shall govern and control in all matters relating to the banks consolidated.

(f) A new name or the name of any one of the petitioning banks may be adopted as the name of the continuing bank at the special meeting called as herein provided; and if such proposed name is set forth in the

petition to the commissioner and is approved by him, it shall become the name of the continuing bank, upon the final approval of the consolidation, without further action under the laws of the commonwealth as to change or adoption of a new name on the part of the continuing bank.

Powers and
duties of bank
commissioner.
1879, 129.
P. S. 117, § 20.
R. L. 114, § 28.
1912, 623,
§§ 40, 45.
1 Op. A. G. 401.

SECTION 46. The commissioner shall have the same duties and powers in respect to every such corporation which he has in respect to savings banks. In the examination of every co-operative bank inquiry shall be made as to the nature and resources of the corporation in general, the methods of conducting and managing its affairs, the actions of its officers, the investment of its funds, and whether the administration of its affairs is in compliance with its by-laws and with statutory requirements. At each visitation, a thorough examination and audit shall be made of the books, securities, cash, assets, liabilities, income and expenditures, including a trial balance of the shareholders' ledgers, for the period elapsed since the preceding examination. The person in charge of the examination shall render to the commissioner a report of his findings, in such form as the commissioner prescribes, and a copy thereof shall be rendered to the board of directors within ten days after the original has been submitted to the commissioner, together with a notice of the amount of the fee to be paid as provided in the following section, which shall be due and payable within thirty days after the date of the notice. Upon the failure of any such corporation to pay the required fee within the time prescribed herein, the commissioner shall report the facts to the attorney general, who shall immediately bring an action to recover the fee. The commissioner shall annually make a report to the general court of such facts and statements relative to such corporations, and in such form, as he considers that the public interest requires. The officers of every such corporation shall answer truly all inquiries made, and shall make all returns required by the commissioner.

Fees for
examination
and audit.
1912, 623, § 41.

SECTION 47. To defray in part the expense of the examination and audit provided for by the preceding section, every such corporation so examined and audited shall, upon notice from the commissioner, pay to him a fee of ten cents for each one thousand dollars of assets as shown by the statement of condition of the bank at the date of the examination and audit.

Co-operative
banking to be
done only
under this
chapter.
Exception.
Penalty.
1889, 452, §§ 1, 3.
1890, 310, §§ 1, 4.
1896, 286.
R. L. 114, § 1.
1912, 623,
§§ 42, 45.

SECTION 48. No person, and no association or corporation, except foreign associations and corporations duly licensed by the commissioner prior to April fourteenth, eighteen hundred and ninety-six, to transact business in this commonwealth, shall transact the business of accumulating the savings of its members and loaning to them such accumulations in the manner of a co-operative bank, unless incorporated in this commonwealth for such purpose. Whoever violates any provision of this section shall be punished by a fine of not more than one thousand dollars, and the supreme judicial or superior court shall have jurisdiction in equity to enforce this section.

183 Mass. 513.

3 Op. A. G. 372.

Foreign cor-
porations and
associations
regulated.
1889, 452, § 1.
1890, 310, § 2.
1891, 403.
R. L. 114, § 29.
1912, 623,
§§ 43, 45.

SECTION 49. If, in the opinion of the commissioner, any foreign association or corporation authorized to carry on the business of a co-operative bank in this commonwealth is transacting such business in a manner hazardous to the public, or its condition is such as to render further proceedings by it hazardous to the public, he shall revoke or suspend the authority given to such association or corporation. If it is not authorized to carry on business in this commonwealth, he shall notify it to cease the transaction of business. This chapter shall not prevent a foreign co-operative bank from loaning money upon mortgages of real estate located within this commonwealth.

REFERENCE.

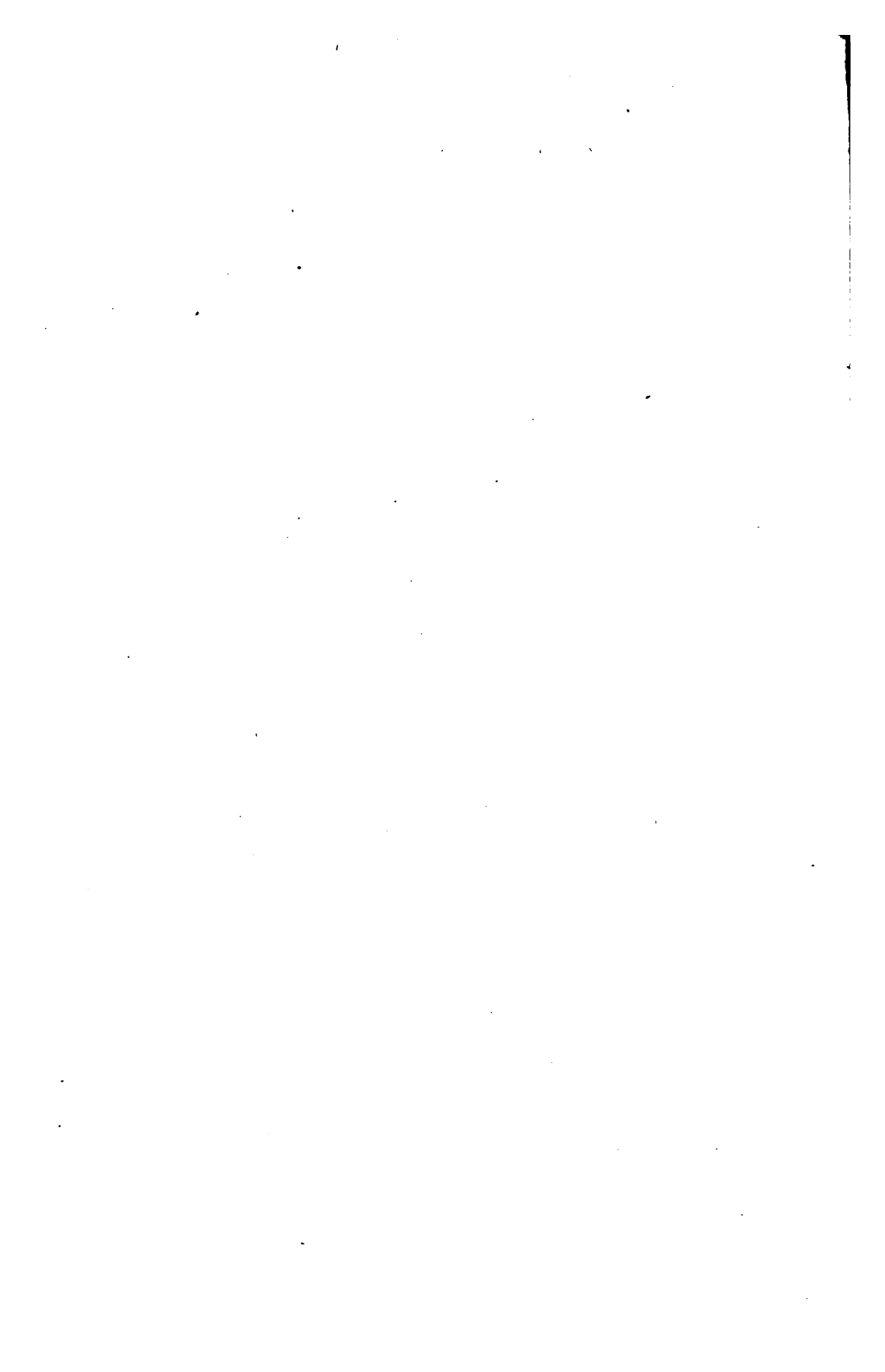
Provisions applicable to all banks, including co-operative banks, Chap. 167.

STATUTES

RELATING TO

CREDIT UNIONS

CHAPTER 171, GENERAL LAWS



STATUTES

RELATING TO

CREDIT UNIONS.

General Laws, Chapter 171. CREDIT UNIONS.

SECT.	SECT.
1. Name. Definitions.	15. Directors not to receive compensation, etc. Compensation of officers.
2. Incorporation, etc.	16. Guaranty fund.
3. Law applicable to credit unions.	17. Investment of funds.
4. Use of words "credit union" restricted.	18. Applications for loans.
5. Deposits and loans.	19. Purposes of loans, etc.
6. By-laws.	20. Farmland mortgages.
7. Approval by commissioner.	21. Farmland bonds.
8. Capital.	22. Report of supervisory committee.
9. Shares may be issued to minors, etc.	23. Dividends.
10. Fiscal year.	24. Lost pass books, etc.
11. Meetings.	25. Report to commissioner.
12. Directors. Committees.	26. Expulsion of members.
13. Election of officers.	27. Dissolution of corporation.
14. Powers and duties of supervisory committee.	

SECTION 1. A corporation organized under this chapter shall include in the corporate name the words "credit union", to which may be added the word "bank". Other distinguishing words may be used. The words "credit union" shall mean a corporation organized under this chapter or corresponding provisions of earlier laws, and, unless the context otherwise requires, the word "commissioner" shall mean the commissioner of banks.

Name.
Definitions.
1909, 419, § 1.
1915, 268, § 1.

SECTION 2. Seven or more persons, resident in the commonwealth, who have associated themselves by a written agreement with the intention of forming a corporation for the purpose of accumulating and investing the savings of its members and making loans to members for provident purposes, may, with the consent of the board of bank incorporation, become a corporation upon complying with the following section. The board of bank incorporation may grant such consent when satisfied that the proposed field of operation is favorable to the success of such corporation, and that the standing of the proposed incorporators is such as to give assurance that its affairs will be administered in accordance with the spirit of this chapter.

Incorporation,
etc.
1909, 419, § 3.
1915, 268, § 2.
Op. A. G.
(1918) 99.

SECTION 3. Credit unions shall be organized under the provisions, so far as applicable, of sections seven to eleven, inclusive, of chapter one hundred and seventy-two, except that the fee for filing and recording the articles of organization, including the issuing by the state secretary of the certificate of incorporation, shall be five dollars. So much of chapter one hundred and sixty-eight as relates to supervision by the commissioner shall apply to credit unions so far as applicable.

Law applicable
to credit
unions.
1909, 419,
§§ 3, 5.
1915, 268, § 3.
3 Op. A. G. 411.

SECTION 4. No person, partnership or association, and no corporation, except one incorporated under this chapter or corresponding provisions of earlier laws, shall hereafter transact business under any name or title containing the words "credit union". Section thirteen of chap-

Use of words
"credit union"
restricted.
1909, 419, § 4.
1915, 268, § 4.

Deposits and
loans.
1909, 419, § 2.
1915, 268, § 5.

By-laws.
1909, 419, § 6.
1915, 268, § 6.
Op. A. G.
(1918) 99.

Approval by
commissioner.
1909, 419, § 7.
1915, 268, § 7.

Capital.
1909, 419, § 13.
1915, 268, § 9.

Shares may
be issued to
minors, etc.
1909, 419, § 14.
1915, 268, § 10.

Fiscal year.
1909, 419, § 8.
1915, 268, § 12.

Meetings.
1909, 419.
§§ 8, 10, 11.
1915, 268, § 13.

ter one hundred and sixty-seven shall apply to all cases of violation of this section so far as applicable.

SECTION 5. A credit union may receive the savings of its members in payment for shares or on deposit; may lend to its members at reasonable rates, or invest, as hereinafter provided, the funds so accumulated; and may undertake such other activities relating to the purpose of the association as its by-laws may authorize. Section forty-eight of chapter one hundred and seventy shall not apply to credit unions.

SECTION 6. The by-laws shall prescribe the name of the corporation, the purposes for which it is formed, the conditions of residence or occupation which qualify persons for membership, the par value of the shares of capital stock and the maximum number of shares which may be held by any one member, the conditions on which shares may be paid in, transferred and withdrawn, the conditions on which deposits may be received and withdrawn, the method of receipting for money paid on account of shares or deposited, the number of directors and number of members of the credit committee, the duties of the several officers, the fines, if any, to be charged for failure to meet obligations to the corporation punctually, the date of the annual meeting, the manner in which members shall be notified of meetings, the number of members which shall constitute a quorum at meetings, and such other regulations as may seem necessary.

SECTION 7. No credit union shall receive deposits or payments on account of shares, or make any loans, until its by-laws have been approved in writing by the commissioner, nor shall any amendments to its by-laws become operative until they have so been approved.

SECTION 8. The capital of a credit union shall be unlimited in amount. Shares of capital stock may be subscribed for and paid in such manner as the by-laws shall prescribe, except that the par value of shares shall not exceed ten dollars.

SECTION 9. Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors, be withdrawn by such minor, or by his parent or guardian, and in either case payments made on such withdrawals shall be valid and shall release the corporation from any and all liability to the minor, parent or guardian. A minor under eighteen shall not have the right to vote. If shares are held or deposits made in trust, the name and residence of the beneficiary shall be disclosed, and the account shall be kept in the name of such holder as trustee for such person. If no other notice of the existence and terms of such trust has been given in writing to the corporation, such shares or deposits may, upon the death of the trustee, be transferred to or withdrawn by the person who was named by the trustee as the beneficiary or by his legal representatives, and such transfer or withdrawal shall release the corporation from liability to any other claimant upon such stock or deposit.

SECTION 10. The fiscal year of every credit union shall end at the close of business on the last business day of October.

SECTION 11. The annual meeting of the corporation shall be held at such time and place as the by-laws prescribe, but must be held within thirty days after the close of the fiscal year. Special meetings may be called by a majority of the directors or of the supervisory committee, and shall be called by the clerk upon written application of ten or more members entitled to vote. Notice of all meetings of the corporation and of all meetings of the board of directors and of committees shall be given in the manner prescribed by the by-laws. No member shall be entitled to vote by proxy or to have more than one vote, and, after a credit union has been incorporated one year, no member thereof shall be entitled to vote until he has been a member for more than three months.

The members at each annual meeting shall fix the amount of the entrance fee for the ensuing year, which may be made proportional to the

number of shares issued to a member, the maximum amount to be loaned any one member, and, upon recommendation of the board of directors, may declare dividends in accordance with section twenty-three.

At any annual or special meeting the members may review the acts of the credit committee or of the board of directors, and may reverse any decision of the credit committee or of the board of directors by a three fourths vote of the members present and entitled to vote; provided, that such three fourths vote comprises a majority of all the members of the credit union.

In the event of the death, resignation or removal from office of the board of directors or of any member thereof, or of the credit committee or of any member thereof, the members of the credit union, at a special meeting called for the purpose, may elect other members to fill the vacancies until the next annual meeting.

At any annual or special meeting the members of a credit union may amend the by-laws by a three fourths vote of the members present and entitled to vote; provided, that a copy of the proposed amendment has been sent to each member with the notice of the meeting.

SECTION 12. The business and affairs of a credit union shall be managed by a board of not less than five directors, a credit committee of not less than three members, and a supervisory committee of three members to be elected at the annual meeting. Unless the number of members of the credit union is less than eleven, no member of said board shall be a member of either of said committees, nor shall one person be a member of more than one committee, and all the members of said board and of said committees, as well as all officers whom they may elect, shall be sworn to the faithful performance of their duties and shall hold their several offices until others are qualified in their stead. A record of every such qualification shall be filed and preserved with the records of the corporation. Members of the supervisory committee shall be elected annually for one year. Directors and members of the credit committee shall be elected for not less than one nor more than three years, as the by-laws shall provide. If the term is more than one year, they shall be divided into classes, and an equal number, as nearly as may be, elected each year. If a director or a member of any of these committees ceases to be a member of the credit union, his office shall thereupon become vacant.

Directors.
Committees.
1909, 419, § 9.
1915, 268, § 14.

SECTION 13. The directors, at their first meeting after the annual meeting, shall elect from their own number a president, a vice president, a clerk and a treasurer, who shall be the executive officers of the corporation, and who shall hold office until their successors have qualified. The offices of clerk and treasurer may be held by the same person.

Election of
officers.
1909, 419, § 10.
1915, 268, § 15.

The board of directors shall have the general direction of the affairs of the corporation, and shall meet as often as may be necessary. They shall act upon all applications for membership and upon the expulsion of members, fix the amount of the surety bond required of any officer having custody of funds, determine the rate of interest on loans and deposits, fill vacancies in the board of directors until new members have qualified, make recommendations to the members of the credit union relative to the amount of entrance fee to be charged new members, the maximum amount to be loaned any one member, the advisability of declaring a dividend and the amount to be declared, the need of amendments to the by-laws, and any other matters upon which, in their opinion, the members should act at any annual or special meeting. When authorized so to do by the members at any annual meeting or at a special meeting called for the purpose, the board of directors, with the approval of the commissioner, may borrow money for the purpose of lending to members.

Powers and
duties of
directors.

SECTION 14. The supervisory committee shall inspect from time to time the securities, cash and accounts of the corporation and shall keep

Powers and
duties of

supervisory
committee.
1909, 419,
§§ 10, 12.
1915, 268, § 16.

fully informed of its financial condition and shall supervise the acts of its board of directors, credit committee and officers. At any time the supervisory committee, by a unanimous vote, may suspend any officer of the corporation or any member of the credit committee or of the board of directors, and, by a majority vote, may call a meeting of the shareholders to consider any violation of this chapter or of the by-laws, or any practice of the corporation which, in the opinion of the committee, is unsafe or unauthorized. Within seven days after the suspension of any officer, or any member of the credit committee or of the board of directors, the supervisory committee shall cause notice to be given of a special meeting of the members of the credit union to take such action relative to such suspension as may seem necessary. The supervisory committee may make temporary appointments to fill vacancies caused by the absence, illness or suspension of any officer, director, or member of any committee, and shall fill any vacancies in its own number until new members have qualified. The board of directors and the supervisory committee, acting jointly, shall make appointments to fill vacancies in the credit committee until new members of the committee have qualified.

Directors not
to receive
compensation,
etc. Com-
pensation of
officers.
1909, 419, § 17.
1915, 268, § 19.

SECTION 15. No member of the board of directors or of either the credit or supervisory committee shall receive any compensation for his services as a member of the said board or of such committee, nor shall any member of the credit or supervisory committee, directly or indirectly, borrow from the corporation or become surety for any loan or advance made by it.

No member of the board of directors shall, directly or indirectly, borrow from the corporation or become surety for any loan or advance made by it, unless such loan or advance has been approved at a meeting of the members of the credit union by a majority vote of those present, and the notice of such meeting stated that the question of loans to directors would be considered at such meeting.

The officers elected by the board of directors may receive such compensation as the board shall authorize.

Guaranty
fund.
1909, 419, § 22.
1915, 268, § 20.
1918, 257,
§ 370.
1919, 5.
1920, 2.

SECTION 16. Before the payment of an annual dividend, there shall be set apart as a guaranty fund twenty per cent of the net income which has accumulated during the fiscal year, except as hereinafter provided. Said fund and the investments thereof shall be held to meet contingencies or losses in its business. All entrance fees shall be added at once to the guaranty fund. Upon recommendation of the board of directors, the members at any annual meeting may increase, and, whenever said fund equals or exceeds the amount of capital stock actually paid in, may decrease, the proportion of profits required by this section to be set apart as a guaranty fund; provided, that, if the corporation holds stock in other credit unions, the percentage of profits to be set apart as a guaranty fund shall not be decreased until the amount of the fund equals or exceeds the amount of capital stock of the corporation actually paid in and in addition thereto the amount actually paid for the shares of stock in such credit unions.

Investment
of funds.
1909, 419, § 15.
1914, 437,
§§ 1, 2.
1915, 268, § 11.
1918, 257,
§ 370.
1919, 5.
1920, 2.

SECTION 17. The capital, deposits and surplus funds of a credit union shall be invested in loans to members, with the approval of the credit committee as provided in the following section; and any capital, deposits or surplus funds in excess of the amount for which loans shall be approved by the credit committee may be deposited in savings banks or trust companies incorporated under the laws of the commonwealth, or in national banks located therein, or may be invested in the bonds of any other credit union, or in any securities which are at the time of their purchase legal investments for savings banks in the commonwealth, or, with the approval of the commissioner, may be deposited in other credit unions or may be invested in the shares of other credit unions or co-operative banks incorporated in the commonwealth; pro-

vided, that the total amount invested in the shares of other credit unions or co-operative banks shall not exceed thirty per cent of the capital and surplus, and that not more than twenty per cent shall be invested in the shares of other credit unions, nor more than twenty per cent in co-operative bank shares.

SECTION 18. The credit committee shall hold meetings, of which due notice shall be given to its members, to consider applications for loans, and no loan shall be made unless all members of the committee who are present when the application is considered, and at least two thirds of all the members of the committee, approve the loan and are satisfied that it promises to benefit the borrower. All applications for loans shall be made in writing, and shall state the purpose for which the loan is desired and the security offered.

Applications
for loans.
1909, 419, § 11.
1915, 268, § 17.
Op. A. G.
(1917) 33.

SECTION 19. Loans upon the security of first mortgages upon farm lands shall in no case exceed in amount fifty per cent of the value of the property pledged as security, and shall be for the following purposes only: (a) clearing, draining or otherwise reclaiming and permanently improving agricultural lands; (b) providing of facilities for irrigation; (c) planting and early care of orchards; (d) erection of silos, cold storage plants, greenhouses and permanent farm buildings; (e) purchase of farms and farmlands for personal occupation and management; (f) discharge of existing farm mortgages; and, (g) subject to the approval of the commissioner, such other improvements of a permanent nature as, in the opinion of the directors, tend to develop agricultural resources. Mortgages securing such loans shall contain a provision for immediate foreclosure if the money lent is applied in whole or in part to purposes not hereby authorized, or if, in the opinion of the directors, it is being spent unwisely or wastefully.

Purposes of
loans, etc.
1914, 437,
§§ 1, 2, 4.
1915, 268, § 18.
Op. A. G.
(1917) 33.

A credit union may, with the approval of the commissioner, by vote of its board of directors, issue, sell and trade in its own collateral trust bonds, which shall be known and described as farmland bonds and shall be secured as hereinafter provided by the deposit of first mortgage notes on farmlands and the mortgages securing the same. In case of failure of a credit union to pay the interest upon its bonds or the principal when due, the bonds shall be an underlying lien on all its assets, and the commissioner shall forthwith take possession of the assets and wind up the affairs of the corporation.

SECTION 20. Loans upon farm lands shall be made only upon security of first mortgages. The rate of interest upon such loans shall not exceed six per cent, but an additional charge to the borrower may be made, to be applied to the cost of administering the affairs of the corporation, which shall not exceed one per cent of the amount unpaid on the loan and shall be paid in annual, semi-annual or quarterly payments at the same time that the interest is paid. The rate of interest upon such loans for a period longer than five years shall not exceed the rate of interest upon the bonds secured thereby by more than one per cent annually upon the amount unpaid on the loan.

Farmland
mortgages.
1914, 437,
§§ 1, 3, 5.
1915, 231,
§ 19; 268, § 18.
1915, 257,
§ 370.
1915, 5.
1920, 2.

Upon such loans for a period longer than five years amortization payments shall be made in such amounts as shall be stated in the mortgage note and mortgage, which shall be sufficient to pay the principal in full at maturity and shall be payable in equal annual, semi-annual, or quarterly payments at the same time that the interest is paid. A borrower may pay the amount of his mortgage loan or any part thereof on any interest day by surrendering at par and accrued interest bonds of the series for which his mortgage is pledged as security.

SECTION 21. Farmland bonds in a form approved by the commissioner may be issued by a credit union by vote of its board of directors whenever the corporation holds as mortgagee farmland mortgages of a term longer than five years in amount sufficient to secure such issue. Each issue of bonds shall constitute a separate series and shall be so des-

Farmland
bonds.
1914, 437,
§§ 4, 5.
1915, 231,
§ 16; 268, § 18.

1918, 257.
§ 370.
1919, 5.
1920, 2.

ignated, the first series being designated as "Series One of Farmland Bonds of the

Credit Union" and subsequent series accordingly. No series shall be issued for less than an aggregate sum of ten thousand dollars nor for more than ninety-five per cent of the amount of the mortgages against which it is issued. Bonds may be issued in denominations of fifty dollars or any multiple thereof, but no bond shall be for a larger amount than one thousand dollars. Bonds may bear such rate of interest as may be determined by the directors, but not exceeding five per cent per annum. They shall be payable on a date specified and shall be subject to call by the corporation at two per cent above par with accrued interest at any interest period after the date of issue, or after a date specified in the bond, after such notice and advertisement as may be provided in the by-laws, or, if no provision is made in the by-laws, as shall be approved by the commissioner. Mortgages pledged as collateral security for bonds of any series shall be kept at all times in the possession and under the control of the corporation, or, upon direction of the commissioner, shall be deposited with a trustee to be appointed by the corporation with the approval of the commissioner, who shall hold the mortgage notes and mortgages for the bond holders. As the amortization payments are received and credited upon the mortgage notes so deposited as security, the bonds issued by the corporation and secured thereby shall be called and paid, or purchased in the open market and retired, to the extent of the payments received, and credited upon the mortgage notes held as security therefor, under rules and regulations adopted by the corporation with the approval of the commissioner, or the payments so received may be deposited by the corporation, or, if a trustee has been appointed, shall be paid over to the trustee, to be deposited at interest as an amortization fund to meet the payment of the notes at maturity. Only mortgages for a period longer than five years shall be pledged as collateral for farmland bonds.

Report of
supervisory
committee.
1909, 419, § 20.
1915, 268, § 21.

SECTION 22. Immediately before a meeting of the directors called to consider the recommendation of a dividend, the supervisory committee shall make a thorough audit of the receipts, disbursements, income, assets and liabilities of the corporation for the fiscal year, and shall make a full report thereon to the directors. Said report shall be read at the annual meeting and shall be filed and preserved with the records of the corporation.

Dividends.
1909, 419, § 21.
1915, 268, § 22.

SECTION 23. At the annual meeting a dividend may be declared from income which has actually been collected during the fiscal year next preceding, and which remains after the deduction of all expenses, losses, interest on deposits, and the amount required to be set apart as a guaranty fund, or such dividend may be declared in whole or in part from undivided earnings of preceding years, not to exceed twenty per cent thereof in any one year, provided such earnings are a part of the surplus of the corporation in excess of all requirements of the guaranty fund.

Such dividends shall be paid on all fully paid shares outstanding at the close of the fiscal year, but shares which become fully paid during the year shall be entitled only to a proportional part of said dividend, calculated from the first day of the month following such payment in full. Dividends due to a member shall be paid to him in cash or credited to the account of partly paid shares for which he has subscribed.

Lost pass
books, etc.
1917, 33.

SECTION 24. Section twenty of chapter one hundred and sixty-seven shall apply to the pass books and certificates of shares of credit unions.

Report to
commissioner.
1909, 419, § 24.
1915, 268, § 23.

SECTION 25. Within twenty days after the last business day of October in each year, every credit union shall make to the commissioner a report in such form as he may prescribe, signed by the president, treasurer and a majority of the supervisory committee, who shall make oath that the report is correct according to their best knowledge and belief. Any credit union neglecting to make the said report within

the time herein prescribed shall forfeit to the commonwealth five dollars for each day during which such neglect continues.

SECTION 26. The board of directors may expel from a credit union any member who has not carried out his engagements with the credit union, or who has been convicted of a criminal offence, or who neglects or refuses to comply with the provisions of this chapter or of the by-laws, or whose private life is a source of scandal, or who habitually neglects to pay his debts, or who becomes insolvent or bankrupt, or who has deceived the corporation or any committee thereof with regard to the use of borrowed money; but no member shall so be expelled until he has been informed in writing of the charges against him, and an opportunity has been given him, after reasonable notice, to be heard thereon.

Expulsion of members.
1909, 419, § 18, 19, 1915, 268, § 24.

The amounts paid in on shares or deposited by members who have withdrawn or have been expelled shall be paid to them, in the order of withdrawal or expulsion, but only as funds therefor become available and after deducting any amounts due from such members to the credit union. Such expulsion shall not operate to relieve a member from any remaining liability to the credit union.

SECTION 27. At any meeting specially called for the purpose the members, upon recommendation of not less than two thirds of the board of directors, may dissolve the corporation by the vote of two thirds of the members of the credit union entitled to vote. A committee of three shall thereupon be elected to liquidate the assets of the corporation under the direction of the commissioner, and each share of the capital stock, according to the amount paid thereon, shall be entitled to its proportional part of the assets in liquidation after all deposits and debts have been paid.

Dissolution of corporation.
1909, 419, § 23, 1915, 268, § 25.

REFERENCE.

Exemption of credit unions and their stock from taxation, Chap. 59, § 5, cl. 15.

STATUTES

RELATING TO

TRUST COMPANIES

CHAPTER 172, GENERAL LAWS

STATUTES

RELATING TO

TRUST COMPANIES.

General Laws, Chapter 172.

TRUST COMPANIES.

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GENERAL PROVISIONS.

Definitions.
 4 Op. A. G. 190.

Corporations
 subject to this
 chapter.
 1888, 413, § 1.
 1890, 315, § 2.
 1899, 348, § 1.
 R. L. 116, § 1.
 165 Mass. 384.

Adoption of
 chapter.
 1890, 315, § 2.
 R. L. 116, § 2.

Use of words
 "Trust Com-
 pany" as name.
 1899, 467.
 R. L. 116, § 3.
 1909, 491, § 1.

Limit of time
 for organi-
 zation.
 1893, 114, § 1.

Who may
 incorporate.
 1904, 374, § 1.

SECTION 1. Whenever used in this chapter, unless the context otherwise requires, the words "trust company" or "such corporation" mean a trust company incorporated as such in the commonwealth, and the "commissioner" means the commissioner of banks.

SECTION 2. All trust companies shall be subject to this chapter; except that any such corporation chartered prior to May twenty-eighth, eighteen hundred and eighty-eight, shall not be subject, in the performance of its duties as trustee, to any provision of section fifty-four which is inconsistent with its charter and shall be subject to the following provisions, or any of them, only if, and according as, it adopts them under section three, or has adopted corresponding provisions of earlier laws: sections twelve to fifteen, inclusive, eighteen, nineteen, twenty-four to twenty-six, inclusive, so much of section twenty-seven as does not apply to corporations exercising the powers conferred by section fifty-two, sections thirty-one, thirty-three, thirty-eight to forty-one, inclusive, fifty, fifty-one, fifty-nine and seventy-seven to eighty, inclusive.

SECTION 3. A trust company chartered before May twenty-eighth, eighteen hundred and eighty-eight, transacting business in the commonwealth may adopt as a part of its charter this chapter, or any provision thereof which under the preceding section it may adopt, by a majority vote of the stock represented at a special meeting called for the purpose and by filing, within ten days from the date of such meeting, with the state secretary and with the commissioner a certificate sworn to by the clerk of such corporation and stating such adoption.

SECTION 4. No person or association and no bank or corporation, except trust companies, shall use in the name or title under which his or its business is transacted the words "Trust Company" even though said words may be separated in such name or title by one or more other words, or advertise or put forth a sign as a trust company or in any way solicit or receive deposits as such. Whoever violates this section shall forfeit one hundred dollars for each day during which such violation continues. But this section shall not prohibit an insurance company authorized prior to October first, eighteen hundred and ninety-nine, to do business in the commonwealth nor a company authorized prior to said date to transact a foreign mortgage business in the commonwealth from using the words "Trust Company" as a part of its corporate name.

SECTION 5. A trust company shall organize and commence business within two years from the date of its incorporation, otherwise its charter shall become void.

R. L. 116, § 4.

INCORPORATION UNDER GENERAL LAW.

SECTION 6. Fifteen or more persons who associate themselves by a written agreement for the purpose of forming a trust company may, upon compliance with sections six to eleven inclusive, become a corporation, with all the powers and privileges and subject to all the duties, restrictions and liabilities set forth in all general laws relating to such corporations.

SECTION 7. Said agreement shall set forth that the subscribers thereto associate themselves with the intention of forming a corporation, and shall specifically state —

First, The name by which the corporation shall be known.

Second, The purpose for which it is formed.

Third, The city or town, which shall be within the commonwealth, where its business is to be transacted.

Fourth, The amount of its capital stock, and the number of shares into which it is to be divided.

Each associate shall subscribe to the articles his name, residence, post office address and the number of shares of stock which he agrees to take.

SECTION 8. A notice of the intention of the subscribers to form such a trust company shall be given to the board of bank incorporation.

A notice in such form as said board shall approve shall be published at least once a week, for three successive weeks, in one or more newspapers designated by said board, and published in the city or town in which it is proposed to establish the company. Such notice shall specify the names of the proposed incorporators, the name of the corporation and the location of the same, as set forth in the above mentioned agreement of association. Within thirty days after the first publication of said notice the subscribers to said agreement shall apply to said board for a certificate that public convenience and advantage will be promoted by the establishment of such trust company. If the board refuses to issue such certificate, no further proceedings shall be had, but the application may be renewed after one year from the date of such refusal, without further notice or publication unless the board shall order it.

SECTION 9. The first meeting of the subscribers to the agreement of association shall be called by a notice signed either by that subscriber to the agreement who is designated therein for the purpose, or by a majority of the subscribers; and such notice shall state the time, place and purposes of the meeting. A copy of the notice shall, seven days at least before the day appointed for the meeting, be given to each subscriber or left at his residence or usual place of business, or deposited in the post office, postage prepaid, and addressed to him at his residence or usual place of business, and another copy thereof and an affidavit of one of the signers that the notice has been duly served shall be recorded with the records of the corporation. If all the incorporators shall in writing, endorsed upon the agreement of association, waive such notice and fix the time and place of the meeting, no notice shall be required. The subscribers to the agreement of association shall hold the franchise until the organization has been completed. At such first meeting, or at any adjournment thereof, the incorporators shall organize by the choice by ballot of a temporary clerk, by the adoption of by-laws and by the election in such manner as the by-laws may determine, of directors, a president, a clerk, and such other officers as the by-laws may prescribe. All the officers so elected shall be sworn to the faithful performance of their duties. The temporary clerk shall make and attest a record of the proceedings until the clerk has been chosen and sworn, including a record of such choice and qualification.

SECTION 10. The president, and a majority of the directors elected at such first meeting, shall make, sign and make oath to, articles in duplicate, setting forth —

(a) A true copy of the agreement of association, the names of the subscribers thereto, and the name, residence and post office address of each of the officers of the company;

(b) The date of the first meeting and the successive adjournments thereof, if any.

One of such certificates shall be submitted to the commissioner, and the other, together with the records of the proposed corporation, to the commissioner of corporations and taxation, who shall examine the same, and who may require such amendment thereof or such additional

Agreement of association.
1904, 374, § 2.

Notice of intention to form trust company.
1904, 374, § 3.
1906, 204, § 4.
1908, 590, § 4.
1909, 491, § 2.
1919, 350, § 47.

First meeting.
1904, 374, § 4.

Certificates of organisation and incorporation.
1904, 374, § 5.
1920, 593, § 7.

information as he may consider necessary. If he finds that the articles conform to the four preceding sections relative to the organization of the corporation and that section eight has been complied with, he shall so certify and endorse his approval thereon. Thereupon the articles shall be filed in the office of the state secretary, who, upon payment of a fee equal to one twentieth of one per cent of the capital stock of said corporation as set forth in said articles, shall cause the same, with the endorsement thereon, to be recorded, and shall thereupon issue a certificate of incorporation in the following form:

COMMONWEALTH OF MASSACHUSETTS.

Be it known that whereas (the names of the subscribers to the agreement of association) have associated themselves with the intention of forming a corporation under the name of (the name of the corporation), for the purpose (the purpose declared in the agreement of association), with a capital stock of (the amount fixed in the agreement of association), and have complied with the statutes of the commonwealth in such case made and provided, as appears from the articles of organization of said corporation, duly approved by the commissioner of corporations and taxation and recorded in this office: now, therefore, I (the name of the state secretary), secretary of the commonwealth of Massachusetts, do hereby certify that said (the names of the subscribers to the agreement of association), their associates and successors, are legally organized and established as, and are hereby made, an existing corporation under the name of (name of the corporation), with the powers, rights and privileges, and subject to the limitations, duties and restrictions, which by law appertain thereto.

Witness my official signature hereunto subscribed, and the Great Seal of the commonwealth of Massachusetts hereunto affixed, this
day of _____ in the year _____ (the date of the filing of the articles of organization).

The state secretary shall sign the certificate of incorporation and cause the great seal of the commonwealth to be thereto affixed, and such certificate shall have the force and effect of a special charter. The existence of every corporation not created by special law shall begin upon the filing of the articles of organization in the office of the state secretary. He shall also cause a record of the certificate of incorporation to be made, and such certificate, or such record, or a certified copy thereof, shall be conclusive evidence of the existence of such corporation.

SECTION 11. When the whole capital stock has been issued, a complete list of the stockholders, with the name, residence and post office address of each, and the number of shares held by each, shall be filed with the board of bank incorporation, which list shall be verified by the two principal officers of the corporation. Upon receipt of such statement said board shall cause an examination to be made, and if, after such examination, it appears that the whole capital stock has been paid in in cash, and that all requirements of law have been complied with, said board shall issue a certificate authorizing such corporation to begin the transaction of business. It shall be unlawful for any such corporation to begin the transaction of business until such a certificate has been granted.

OFFICERS AND BY-LAWS.

SECTION 12. The officers of such corporation shall be a president, clerk or secretary, a board of not less than seven directors, a treasurer or actuary or both, and such other officers as may be prescribed by its by-laws and they shall be sworn to the faithful performance of their duties.

SECTION 13. The officers of such corporation, except the treasurer, actuary, and the members of the investment committee, if one is required by section sixty, shall be chosen at its annual meeting. The treasurer and actuary shall be appointed by the directors, shall hold their respective offices during the pleasure of the board of directors and

Certificate
permitting
business.
1897, 304, § 1.
R. L. 116, § 6.
1904, 374, § 6.
1906, 204, § 4.
1908, 590, § 4.
1909, 491, § 2.
1919, 350, § 47.

Officers.
1888, 413, § 3.
1897, 304, § 2.
R. L. 116, § 7.

Choice of
officers.
1888, 413, § 4.
R. L. 116, § 8.
1911, 87, § 1.
1920, 563, § 1.

shall give bond to the satisfaction of said board for the faithful performance of their duties. The board of directors may fill, until the next annual meeting, any vacancies in offices that may occur.

SECTION 14. No person shall be a director in any such corporation unless he is a stockholder holding not less than ten shares of unpledged stock therein. A majority of the directors shall be citizens of and resident in the commonwealth and not more than one third of the directors shall be directors in any other such corporation.

SECTION 15. The corporation may adopt by-laws for the proper management of its affairs, may establish regulations controlling the assignment and transfer of its shares and may determine what number of shares shall be represented at any meeting to constitute a quorum. If the quorum is not so determined, a majority in interest of the stockholders shall be a quorum.

SECTION 16. No officer, director, employee or attorney of a trust company shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any business of such corporation. This section shall not prohibit any such officer, director, employee or attorney from receiving interest on a deposit made by him or his usual salary or director's fee or a reasonable fee for services rendered to such corporation or from borrowing from such corporation in accordance with law.

SECTION 17. Whoever violates any provision of the preceding section shall be punished by a fine not exceeding five thousand dollars or by imprisonment for not more than one year, or both.

STOCK AND STOCKHOLDERS.

SECTION 18. The capital stock of such corporation shall be not less than two hundred thousand dollars, except that in a city or town whose population numbers not more than one hundred thousand the capital stock may be not less than one hundred thousand dollars, divided into shares of the par value of one hundred dollars each; and except also that in towns whose population is not more than ten thousand the capital stock may be not less than fifty thousand dollars divided into shares of the par value of one hundred dollars each; and no business shall be transacted by the corporation until the whole amount of its capital stock is subscribed for and actually paid in. Any such corporation may, subject to the approval of the commissioner, increase its capital stock in the manner provided by sections forty-one and forty-four of chapter one hundred and fifty-six. No stock shall be issued by any such corporation until the par value thereof shall be fully paid in in cash. Any such corporation may, subject to the approval of the commissioner, decrease its capital stock in the manner provided by said section forty-one and the first sentence of section forty-five of said chapter; provided, that the capital stock as so reduced shall not be less than the amount required by this section.

SECTION 19. The books of such corporation shall at all reasonable times be open for inspection to the stockholders and to beneficiaries under any trust held by such corporation.

SECTION 20. The stockholders of every such corporation shall elect at their annual meeting an examining committee for the ensuing year of not less than three stockholders, of which neither the president, vice president, secretary, treasurer, actuary nor any member of the executive or finance committee of the board of directors shall be a member.

SECTION 21. At least once in each year the committee, without previous notice to the officers or directors of such corporation, shall make or cause to be made a thorough examination of the assets and liabilities of the corporation, including those of its trust department. Within ten days after the completion of such examination the com-

Directors.
1888, 413, § 19.
R. L. 116, § 9.

By-laws.
Quorum.
1888, 413, § 5.
R. L. 116, § 10.

Certain fees,
etc., to officers,
employees and
attorneys
prohibited.
1915, 219, § 1.

Penalty.
1915, 219, § 2.

Capital stock;
amount, issue,
increase,
decrease.
1888, 413, § 2.
1897, 304, § 1.
R. L. 116, § 5.
1904, 374, § 6.
1905, 189.
1907, 487.
1913, 206, § 1.
1916, 37.
231 Mass. 42.

Books open
for inspection.
1888, 413, § 25.

Stockholders
to elect
examining
committee.
1907, 319, § 1.
1908, 520, § 14.

Committee
to examine
corporation.
1907, 319, § 2.
1912, 73, § 1.

mittee shall file in the office of the commissioner a written report thereof, sworn to by each member of the committee making the examination, and a duplicate of the report, or such part thereof as the meeting may determine, shall be read to the directors and to the stockholders at their meetings immediately following the completion of the report.

Report.
1907, 319, § 3.

SECTION 22. Such report shall be made on forms furnished by the commissioner and shall contain a statement of the assets and liabilities of such corporation, including those of its trust department, together with such other information as the commissioner requires. It shall also specify in detail any loans or discounts which, in the opinion of the committee, are worthless or of doubtful value, and any loans made on collateral security which in their opinion is of doubtful value or not readily marketable, together with their reasons for so regarding them.

Further
examination.
1907, 319, § 4.

SECTION 23. If upon receipt of the report or if upon examination of any such corporation a further examination or audit of its books and affairs appears necessary, the commissioner may cause to be made by an expert, at the expense of the corporation, such further examination or audit as he considers necessary.

Liability of
stockholders.
1888, 413, § 14.
R. L. 116, § 30.
1905, 228, § 1.
203 Mass. 551.
207 Mass. 441.
216 Mass. 156.

SECTION 24. The stockholders of such corporation shall be personally liable, equally and ratably and not one for another, for all contracts, debts and engagements of the corporation, to the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares. Sections forty-six, forty-seven and fifty to fifty-four, inclusive, of chapter one hundred and fifty-eight shall apply to and regulate the enforcement of such liability, and receivers of insolvent trust companies may, with the approval of the supreme judicial court, enforce such liability.

Enforcement
of liability.
1892, 327.
R. L. 116, § 31.
1906, 204,
§§ 1, 3.
1908, 590, § 1.
1919, 350,
§§ 45, 46.

SECTION 25. Any such corporation whose stockholders are liable under the preceding section and whose capital stock has, in the opinion of the commissioner, become impaired by losses or otherwise, shall, within three months after receiving notice from the commissioner, pay the deficiency in the capital stock by assessment upon the stockholders pro rata to the shares held by each. If such corporation shall fail to pay such deficiency in its capital stock for three months after receiving such notice, the commissioner may apply to the supreme judicial court for an injunction; and if a stockholder of such corporation neglects or refuses, after three months' notice, to pay the assessment as provided in this section, the board of directors shall cause an amount of his stock sufficient to make good his assessment to be sold by public auction, after thirty days' notice given by posting such notice in the office of the corporation and by publishing it in a newspaper of the city or town where the corporation is located or in a newspaper published nearest thereto; and the balance, if any, shall be returned to such delinquent stockholder. This section shall not take away the right of creditors to enforce the liability of stockholders in such corporations, as provided in the preceding section, nor increase the general liability of such stockholders.

PUBLIC SUPERVISION.

Returns to
commissioner.
1888, 413, § 26.
R. L. 116, § 36.
1907, 320, § 1.
1908, 520, § 13.

SECTION 26. Such corporation shall at such times as the commissioner orders, but not exceeding five times within any calendar year, and within ten days after a day designated in the order, make a return to the commissioner, signed and sworn to by its president and secretary, treasurer or actuary and not less than four of its board of directors, showing accurately the condition of such corporation at the close of business on the day designated, and said return shall specify: capital stock; amount of all money and property in detail in the possession or charge of said corporation as deposits; amount of deposits payable on demand or within ten days; amount of trust guaranty fund; trust funds and funds for purposes of investment; number of depositors; investments

in authorized loans of the United States or any of the New England states, counties, cities or towns; investments in bank stock, railroad stock and railroad bonds, stating amount in each; loans on notes of corporations; loans on notes of individuals; loans on mortgages of real estate; cash on hand; rate, amount and date of dividends since last return; and such other information as the commissioner orders. Such return shall be in the form of a trial balance of its books and shall specify the different kinds of its liabilities and assets, with the amount of each kind, in accordance with a blank form furnished by the commissioner and shall be published by and at the expense of such corporation in a newspaper of the city or town where such corporation is located, at such times and in such manner as may be directed by the commissioner, and in the annual report of the commissioner.

SECTION 27. The commissioner shall have access to the vaults, books and papers of such corporation, and shall inspect, examine and inquire into its affairs and take proceedings in regard to it in the same manner and to the same extent as if it were a savings bank; and may make, or cause to be made by an expert at the expense of the corporation, such further examination of a corporation exercising the powers conferred by section fifty-two as he may consider necessary, and shall, when ordered by any court of competent jurisdiction, make an examination or cause it to be made.

Examination
by com-
missioner.
1888, 413, § 26.
1899, 348, § 6.
R. L. 116, § 37.
1906, 204,
§§ 1, 3.
1908, 590, § 1.
1919, 350,
§§ 45, 46.

SECTION 28. The commissioner may, when so requested by vote of a majority of the directors or by the stockholders' examining committee of any such corporation, make a thorough examination and audit of the books, securities, cash, assets, liabilities, income and expenditures of the corporation, for such period as the directors or committee may request or as the commissioner may prescribe. The commissioner may avail himself of such assistance from the officers and employees as he may deem proper. The expense of the audit shall be borne by the corporation.

Audit by
commissioner.
1913, 409, § 1.

SECTION 29. The person in charge of the examination shall render to the commissioner a report of his findings, in such form as the commissioner may prescribe, and a copy thereof shall be furnished to the directors or to the stockholders' examining committee of the corporation within ten days after the original has been submitted to the commissioner, together with a notice of the amount of the fee to be paid, which shall be due and payable within thirty days after the date of the notice. Upon failure of any such corporation to pay the required fee within the time prescribed herein the commissioner shall report the facts to the attorney general, who shall immediately bring action to recover it.

Report of
audit.
1913, 409, § 2.

SECTION 30. The commissioner, in order to carry out the provisions of the two preceding sections, may employ such additional assistance, subject to the approval of the governor and council, as he deems necessary.

Assistance in
making audit.
1913, 409, § 3.

POWERS.

SECTION 31. Such corporation may receive on deposit, storage or otherwise, money, government securities, stocks, bonds, coin, jewelry, plate, valuable papers and documents, evidences of debt, and other property of any kind, upon terms or conditions to be agreed upon, and at the request of the depositor may collect and disburse the interest or income, if any, upon said property received on deposit and collect and disburse the principal of such of said property as produces interest or income when it becomes due, upon terms to be prescribed by the corporation. Such deposits shall be general deposits, and may be made by corporations and persons acting individually or in any fiduciary capacity. Such corporation shall not give collateral or other security for a deposit of money received under this section, except that the corporation may make such a deposit of securities as may be required by the laws of the United States or the rules and regulations of the trustees of the postal

Deposits.
1888, 413, § 6.
1896, 423, § 1.
R. L. 116, § 12.
1912, 54.
1914, 537, § 3.

savings system as security for deposits of postal savings funds made with such corporation and may give such collateral or other security for deposits of public or other funds as may be required by any public authority making such deposits or controlling the terms upon which they may be made.

Time deposits.
1910, 377.

SECTION 32. No such corporation shall allow a time deposit represented by a certificate or written agreement to be withdrawn before the time specified therein, and where such certificate or agreement does not specify any definite date for withdrawal no such corporation shall allow such deposit to be withdrawn without receiving written notice of at least thirty days. Originals or duplicates of all agreements in reference to time deposits shall be kept on file by such corporations and submitted to the commissioner at his request. Any such corporation violating this section shall be punished by a fine of not more than one thousand dollars.

Investment
of funds.
1888, 413, § 6.
1890, 315, § 1.
R. L. 116, § 13.
1917, 172, § 1.

SECTION 33. Such corporation may, subject to the limitations of the following section, advance money or credits, whether capital or general deposits, on real estate situated in the commonwealth and on personal security, on terms to be agreed upon, and also invest its money or credits, whether capital or general deposits, in the stocks, bonds or other evidences of indebtedness of corporations or of governments, both foreign and domestic.

Loans on
farm property,
etc.
1888, 413, § 1.
1889, 342.
R. L. 116, § 14.

SECTION 34. No such corporation shall advance money or credits upon notes secured by deed of trust or by mortgage upon farms or agricultural or unimproved land outside of the commonwealth, except upon land situated in the New England states or the state of New York, or invest in or make loans on the bonds or other securities of a company negotiating or dealing in such notes so secured or in such mortgages.

Agent to
buy, etc.
1890, 315, § 1.
R. L. 116, § 15.

SECTION 35. No such corporation shall as agent, buy, sell or negotiate securities or evidences of debt on which such corporation may not lawfully advance money or credits, nor as such agent buy, sell or negotiate evidences of debts secured exclusively by real estate under mortgage or deed of trust.

May accept
drafts and
issue letters
of credit.
1916, 129, § 1.

SECTION 36. Any such corporation may, subject to such restrictions as may be imposed by the commissioner, accept for payment at a future date drafts and bills of exchange drawn upon it, and issue letters of credit authorizing holders thereof to draw drafts upon it, or its correspondents, at sight or on time: provided, that such acceptances or drafts be based upon actual values, but no such corporation shall accept such bills or drafts to an aggregate amount exceeding at any one time one half of its paid up capital and surplus, except with the approval of the commissioner, and in no case to an aggregate amount in excess of its capital and surplus.

May accept
or rediscount
certain drafts,
etc.
1914, 537, § 3.

SECTION 37. Such corporation may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the import or export of goods, having not more than six months' sight to run, but no such corporation shall accept such bills to an amount equal at any time in the aggregate to more than one half of its paid up capital stock and surplus. Such corporation may rediscount notes, drafts and bills of exchange arising out of actual commercial transactions.

May act as
agent, trustee,
etc.
1888, 413, § 15.
R. L. 116, § 32.

SECTION 38. Such corporation may act as agent for the purpose of issuing, registering or countersigning the certificates of stock, bonds or other evidences of indebtedness of a corporation, association, municipal corporation, state or national government, on such terms as may be agreed upon, and may also act as trustee or financial or other agent for a person, association, municipal corporation or government, and in their behalf may negotiate loans and sell and negotiate the sale of securities, and may also act as trustee for the bondholders of a corporation, and for such purpose may receive transfers of real and personal property upon such terms as may be agreed upon.

SECTION 39. No such corporation shall make a loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months after its purchase, be sold or disposed of at public or private sale.

Loans on shares of capital stock, etc.
1888, 413, § 18.
R. L. 116, § 33.

SECTION 40. The total liabilities of a person, other than cities or towns, including in the liabilities of a firm the liabilities of its several members, for money borrowed from and drafts drawn on any such corporation having a capital stock of five hundred thousand dollars or more shall at no time exceed one fifth part of the surplus account and of such amount of the capital stock of such corporation as is actually paid up. Such total liabilities to any such corporation having a capital stock of less than five hundred thousand dollars shall at no time exceed one fifth of such amount of the capital stock of the corporation as is actually paid up; but the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating it, shall not be considered as money borrowed. The total liabilities to any one such corporation of any government, either foreign or domestic, other than the government of the United States of America or of this commonwealth, shall not exceed one tenth part of the surplus account and of such amount of the capital stock of such corporation as is actually paid up, and no trust company shall invest or advance an aggregate amount exceeding at any one time twenty per cent of its surplus account and paid up capital stock in such securities and evidences of indebtedness.

Liabilities of any one person to corporation limited.
1888, 413, § 17.
1901, 255.
R. L. 116, § 34.
1916, 129, § 2.
1917, 172, § 2.
2 Op. A. G. 190.
3 Op. A. G. 69.
4 Op. A. G. 8.
Op. A. G. (1918) 52.

SECTION 41. Such corporation may hold real estate unencumbered by mortgage suitable for the transaction of its business to an amount including the cost of alterations and additions in the nature of permanent fixtures, not exceeding twenty-five per cent of its capital actually paid in and its surplus account, and in no case to exceed two hundred and fifty thousand dollars; but this section shall not require such corporation to change an investment legally made prior to April eighteenth, eighteen hundred and ninety-four.

May hold real estate suitable for its business.
1888, 413, § 18.
1894, 274.
R. L. 116, § 35.
1912, 53.
2 Op. A. G. 317.

SECTION 42. Such corporations which succeed or have succeeded to the business of national banks may continue to hold the real estate owned by such national banks and used in the transaction of their business.

Real estate held by corporation which is a successor to a national bank.
1912, 90.

SECTION 43. No trust company shall hold more than ten per cent of the capital stock of any other trust company.

1914, 504, § 1.

231 Mass. 42.

Holding of stock in other trust company limited.

SECTION 44. No trust company shall be merged in or consolidated with another trust company except under the provisions of sections forty-two and forty-six of chapter one hundred and fifty-six, which are hereby made applicable to the sale or exchange of all the property and assets, including the good will and corporate franchise, of a trust company.

Consolidation of trust companies regulated.
1914, 504, § 2.

SECTION 45. The board of bank incorporation may authorize in writing any such corporation to maintain not more than one branch office which shall be in the town where its main office is located.

Branch office.
1902, 355.
§§ 1, 2.
1908, 520, § 15;
590, § 4.
1909, 481, § 2.
1914, 504, § 3.
1919, 350, § 47.

No such corporation shall maintain a branch office except as provided in this and the two following sections, but the restrictions of this section shall not extend to branch offices authorized prior to April twenty-ninth, nineteen hundred and two.

2 Op. A. G. 317.

3 Op. A. G. 131.

SECTION 46. Any office of a trust company the business of which has been taken over under section forty-four by another trust company

Office of merged company main-

tained as
branch office.
1914, 504, § 2.

Establishment
of foreign
branches.
1914, 537, § 2.

Additional
powers, if mem-
ber of federal
reserve bank.
1914, 537, § 1.

Trust depart-
ment.
1888, 413, § 7.
R. L. 116, § 24.

Deposit by
authority of
court, etc.
1888, 413, § 7.
R. L. 116, § 16.
1907, 417, § 1.
1908, 590,
§§ 58, 57.
1915, 23, § 1.
1916, 198.

located in the same town, may be maintained as a branch office of such corporation, if in the opinion of the commissioner public convenience will be served thereby.

SECTION 47. Any such corporation having a capital and surplus of one million dollars or more may file application with the commissioner, upon such conditions and under such regulations as may be prescribed by him, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States. Such application shall specify, in addition to the name and capital of the trust company filing it, the places where the banking operations proposed are to be carried on and the amount of capital set aside for the conduct of its foreign business. The commissioner may approve any such application, or reject it if, in his judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of the application is deemed inexpedient. Every such corporation which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the commissioner upon demand, and he may order special examinations of such foreign branches at such times as he deems best. Every such corporation shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger profit or loss accruing at each branch, as a separate item.

SECTION 48. A trust company which becomes a stockholder in a federal reserve bank within the federal reserve district where such trust company is situated, and while such trust company continues as a member bank under the United States "Federal Reserve Act" approved December twenty-third, nineteen hundred and thirteen, or any acts in amendment thereof, may have and exercise any and all of the corporate powers and privileges which may be exercised by member banks under said "Federal Reserve Act" or any acts in amendment thereof or in addition thereto.

TRUST DEPARTMENT.

SECTION 49. Every such corporation acting under any provision of the following section or section fifty-two shall have a trust department in which all business authorized by said sections shall be kept separate and distinct from its general business.

SECTION 50. A court of law or equity, or a court of probate and insolvency of the commonwealth, may direct that money or property under its control, or which may be paid into court by parties to any legal proceedings, or which may be brought into court by reason of an order or judgment, be deposited with such corporation, upon such terms and subject to such instructions as the court may prescribe. When money so deposited has remained unclaimed for more than ten years, the court may upon motion of the attorney general order and decree that it shall be paid over to the state treasurer to be held by him under the terms of said order or decree, and upon the entry of such order or decree the corporation shall pay over money so deposited and specified in the order to the state treasurer, to be held by him as aforesaid; and if any person shall establish a lawful right thereto the said treasurer shall repay the same to such person, with interest at the rate of three per cent per annum from the time when paid to said treasurer to the time when it is paid over by him to such person. Sections forty-two and forty-three of chapter one hundred and sixty-eight shall be applicable to trust companies. Such corporation may also hold money or property in trust or on deposit from executors, administrators, assignees, guardians, conservators and trustees, upon such terms and conditions as may be agreed upon.

SECTION 51. Money or property received under the preceding section shall be loaned on or invested only in the authorized loans of the United States, or any of the New England states, counties, cities or towns thereof, or of the states of Illinois, Iowa, Michigan, Minnesota, Wisconsin, or the counties or cities thereof, or stocks of state or national banks situated within this commonwealth, or in the first mortgage bonds of a railroad corporation incorporated in any of the New England states whose road is located wholly or in part in the same and which has earned and paid regular dividends on all its issues of capital stock for two years last preceding such loan or investment, or in the bonds of any such railroad company unencumbered by mortgage, or in first mortgages on real estate in this commonwealth, or in any securities in which savings banks may invest, or upon notes with two sureties of domestic manufacturing corporations or of individuals with a sufficient pledge as collateral of any of the aforesaid securities; but all real estate acquired by foreclosure of mortgage or by levy of execution shall be sold at public auction within two years after such foreclosure or levy.

Investment of such funds.
1888, 413, § 7.
R. L. 116, § 17.
1 Op. A. G. 334.

SECTION 52. Such corporation may be appointed executor of a will, codicil or writing testamentary, administrator with the will annexed, administrator of the estate of any person, receiver, assignee, guardian, conservator or trustee under a will or instrument creating a trust for the care and management of property, under the same circumstances, in the same manner, and subject to the same control by the court having jurisdiction of the same, as a legally qualified individual. Any such appointment as guardian shall apply to the estate and not to the person of the ward. Such corporation shall not be required to receive or hold property or money or assume or execute a trust under this section or of section fifty without its assent.

Appointment as trustee, executor, etc.
1888, 413, § 7. 8.
1899, 348, § 1, 2.
R. L. 116, § 18.
1908, 116; 505, § 1.
212 Mass. 335.

SECTION 53. Every such corporation may invest the funds or assets which it may receive and hold under the preceding section in the same way, to the same extent, and under the same restrictions as an individual holding a similar position may invest such funds or assets.

Investment of funds held as executor, etc.
1911, 389.

SECTION 54. Money, property or securities received, invested or loaned under the provisions of sections fifty to fifty-two, inclusive, shall be a special deposit in such corporation, and the accounts thereof shall be kept separate. Such funds and the investment or loans thereof shall be specially appropriated to the security and payment of such deposits, shall not be mingled with the investments of the capital stock or other money or property belonging to such corporation, or be liable for the debts or obligations thereof.

Trust funds to be kept as special deposit.
1888, 413, § 7. 9.
1899, 348, § 3.
R. L. 116, § 24.

SECTION 55. The capital stock of such corporations, with the liabilities of the stockholders thereunder, shall be held as security for the faithful performance of the duties undertaken by virtue of sections fifty to fifty-two, inclusive, or of any similar provision of law.

Capital stock as security.
1888, 413, § 8.
1899, 348, § 2.
R. L. 116, § 19.

SECTION 56. No such corporation shall commence to exercise the powers and duties described in sections fifty to fifty-two, inclusive, until it has received written authority therefor from the board of bank incorporation, and said board may grant or refuse such authority after such investigation of the affairs of the corporation as it deems expedient.

Not to exercise powers, etc., unless authorized.
1896, 423, § 3.
1899, 348, § 5.

R. L. 116, § 20.
1908, 204, § 4.

1908, 590, § 4.
1909, 491, § 2.

1919, 350, § 47.

SECTION 57. In all proceedings in the probate court or elsewhere, connected with any authority exercised under section fifty or fifty-two, or under any similar provisions of law, all accounts, returns and other papers may be signed and sworn to, in behalf of the corporation, by any officer thereof duly authorized by it, and the answers and examinations under oath of said officer shall be received as the answers and examinations of the corporation. The court may order and compel an officer of such corporation to answer and attend said examination in

Signing of returns, etc.
Examination of officers.
1888, 413, § 8.
1899, 348, § 2.
R. L. 116, § 21.

the same manner as if he, instead of the corporation, were a party to the proceeding.

Surety on
bonds.
1888, 413, § 8.
1899, 348,
§§ 2, 4.
R. L. 116,
§§ 19, 22.

SECTION 58. No surety shall be required upon the bonds filed by such corporation as fiduciary under section fifty-two except that the court making an appointment under said section, other than of a trustee, may, upon application by an interested person, require the corporation so appointed to give such security, in addition to that provided by section fifty-five, as the court may consider proper, and upon failure of such corporation to give the security required, may revoke such appointment and remove such corporation.

Disposition of
trust funds,
etc.
1888, 413, § 8.
R. L. 116, § 23.

SECTION 59. A person creating a trust may direct whether money or property deposited under it shall be held and invested separately or invested in the general trust fund of the corporation; and such corporation acting as trustee shall be governed by directions contained in the will or instrument under which it acts.

SAVINGS DEPARTMENT.

Savings
department.
Investment
committee.
1908, 520, § 1.
1920, 563, § 1.
231 Mass. 367.

SECTION 60. Every such corporation soliciting or receiving deposits (a) which may be withdrawn only on presentation of the pass book or other similar form of receipt which permits successive deposits or withdrawals to be entered thereon; or (b) which at the option of such corporation may be withdrawn only at the expiration of a stated period after notice of intention to withdraw has been given; or (c) in any other way which might lead the public to believe that such deposits are received or invested under the same conditions or in the same manner as deposits in savings banks; shall have a savings department in which all business relating to such deposits shall be transacted. Every such corporation subject to this section shall have an investment committee of not less than three members, elected by and from the board of directors, and such committee shall hold meetings at least once in each month.

Investments
of deposits
in savings
department.
1908, 520, § 2.
1920, 563, § 1.
3 Op. A. G. 454.
4 Op. A. G. 8.

SECTION 61. All such deposits shall be special deposits and shall be placed in said savings department, and all loans or investments thereof shall be made in accordance with the law governing the investment of deposits in savings banks. The investment committee shall approve all loans and all purchases or sales of bonds, stocks and notes made by or for the savings department, and shall perform such other duties as the by-laws or board of directors may prescribe. A record shall be made at each meeting of the transactions of the committee and of the names of those present. The committee may, by vote or by a statement signed by a majority of its members, approve changes of collateral security made by or for said department, and the vote or statement, and the record thereof, shall set forth all such changes.

Such deposits
to be kept
separate.
1908, 520, § 3.
220 Mass. 409.
3 Op. A. G. 574.

SECTION 62. Such deposits and the investments or loans thereof shall be appropriated solely to the security and payment of such deposits, shall not be mingled with the investments of the capital stock or other money or property belonging to or controlled by such corporation, or be liable for the debts or obligations thereof until after the deposits in said savings department have been paid in full. The accounts and transactions of said savings department shall be kept separate and distinct from the general business of the corporation.

Capital stock
as security for
such deposits.
1908, 520, § 4.

SECTION 63. The capital stock of such corporation with the liabilities of the stockholders thereunder shall be held as security for the payment of such deposits, and the persons making such deposits or entitled thereto shall have an equal claim with other creditors upon the capital and other property of the corporation in addition to the security provided for by sections seventy-three and seventy-four or section eighty-one.

Guaranty fund
in savings
department.
1920, 563, § 5.

SECTION 64. Every such trust company shall, immediately before making a semi-annual dividend on deposits in its savings department, set apart as a guaranty fund from the net profits of such department

which have accumulated during the six months last preceding, a sum equal to one eighth of one per cent of the deposits in the savings department on the date of said dividend. If the said payments by way of dividends are made to cover periods of less than six months, then the amount so set apart for the particular period covered shall bear the same proportion to the said one eighth of one per cent which the length of the period covered bears to the period of six months. The said sums shall continue to be set apart until the guaranty fund amounts to five per cent of the savings deposits. The guaranty fund shall be kept in the savings department and shall be invested in securities legal for the investment of deposits in savings departments. Further additions to the guaranty fund shall be at the discretion of the investment committee or board of directors of the trust company. When the fund amounts to less than five per cent of the whole amount of the said deposits no losses shall be met therefrom except upon the written approval of the commissioner.

SECTION 65. All income received from the investment of funds in said savings department, after deducting the expenses and losses incurred in the management thereof and such sums as may be paid to depositors therein as interest or dividends, shall accrue as profits to such corporation and may be transferred to its general funds.

Income.
1908, 520, § 5.

SECTION 66. Such corporation may at any time require a depositor in said savings department to give a notice not exceeding ninety days of his intention to withdraw the whole or any part of his deposit.

Notice of
intention to
withdraw such
deposits.

1908, 520, § 7.

SECTION 67. Such corporations having savings departments may place deposits on interest once a month and not oftener, on such day in each month as may be determined by their by-laws.

Deposits may
go on interest
monthly.

1919, 116, § 1.

SECTION 68. Immediately before a meeting of the directors called to consider the declaration of a dividend by the savings department of every such trust company, the investment committee shall make or cause to be made an examination of the income, profits and expenses for the six months' period next preceding the date of the proposed dividend, and shall report to the directors the estimated net earnings of the said department for the said period. No dividend shall be paid unless it is declared and authorized by the directors after the said examination, and a copy of the said report shall be filed and preserved with the records of the corporation. Ordinary dividends in such a department shall not exceed the rate of five per cent a year, and extra dividends may be paid as by savings banks, under and in accordance with section fifty of chapter one hundred and sixty-eight.

Payment of
dividends to be
authorized by
directors after
examination
by investment
committee.
1920, 563, § 6.

SECTION 69. Except as otherwise provided by section seventeen of chapter one hundred and sixty-seven, no such corporation shall allow interest on any savings deposit from a date prior to that on which the deposit is made, nor shall a deposit which is withdrawn between its dividend days be entitled to interest after the prior dividend day except with the written permission of, and under regulations prescribed by, the commissioner.

Interest.
1919, 116, § 3.
1920, 38.

SECTION 70. During one or more of the first ten months of the year nineteen hundred and twenty-two, and of each third year thereafter, every such trust company shall cause a verification of the pass books of the savings department to be made under such rules and in such manner as may be approved by the commissioner.

Pass books to
be verified.
1920, 563, § 2.

SECTION 71. No president, treasurer, member of the investment committee, or officer of such a trust company charged with the duty of investing the funds of its savings department shall borrow or use any part thereof, be surety on loans of said department to others, or, directly

No officer, etc.,
to borrow funds
of savings
department or
become surety.
1920, 563, § 3.

or indirectly, whether acting individually or as trustee be an obligor for money borrowed from such savings department, and if such member or any such officer, either individually or as trustee, becomes the owner of real estate upon which a mortgage is held by such trust company in its savings department, his office and membership on such investment committee shall become vacant at the expiration of sixty days thereafter, unless he has then ceased to be the owner of the real estate or has in good faith caused the mortgage thereon to be discharged or assigned. This section shall not apply to any loans or mortgages held by such company in its savings department on May twenty-eighth, nineteen hundred and twenty, or to renewals thereof, or to the deposit of money in any bank or trust company of which one or more members of the investment committee or officers of such trust company are directors. For the purposes of this section, no director who is neither on such investment committee nor charged with the investment of the funds of such a department shall be considered an officer.

Trust companies, etc.,
not to receive
brokerage, etc.,
on account of
loan by savings
department.
1920, 563, § 4.

SECTION 72. No such trust company, and no person acting in its behalf, shall, directly or indirectly, negotiate, take or receive a fee, brokerage commission, gift or other consideration for or on account of a loan made by or on behalf of such trust company in the savings department, other than appears on the face of the note or instrument evidencing the same, or upon the records of the savings department, but this section shall not prohibit a reasonable charge for services in the examination of the property that may be offered or accepted as security for the loan, or of the title to the property, or in the preparation of conveyances to such company of the security so offered or accepted. Violation of this section shall be punished by a fine of not more than one thousand dollars, or by imprisonment for not more than one year, or both.

RESERVES AND GUARANTY FUNDS.

Reserve.
1888, 413, § 13.
1900, 257.
R. L. 116, § 28.
1904, 374, § 7.
1905, 331, § 1.
1908, 520, § 8.
1910, 377.
1914, 422.
3 Op. A. G. 259.

SECTION 73. Every such corporation shall at all times have on hand as a reserve an amount equal to at least fifteen per cent of the aggregate amount of its deposits, exclusive of savings deposits and all time deposits represented by certificates or written agreements; but whenever such time deposits may be withdrawn within thirty days, they shall be subject to the reserve requirements of this chapter; and every trust company doing business in Boston shall at all times have on hand as a reserve an amount equal to at least twenty per cent of the aggregate amount of its deposits, computed in the same manner, but this provision shall not affect such corporations doing business in Boston and located at a distance of not less than three miles from the state house.

Composition
of reserve.
1888, 413, § 13.
1901, 257.
R. L. 116, § 28.
1904, 374, § 7.
1905, 331, § 1.
1908, 520, § 9.
1917, 283, § 1.
1919, 82.
Op. A. G.
(1917) 49.

SECTION 74. Not less than two fifths of such reserve shall consist of lawful money of the United States, gold certificates, silver certificates, or notes and bills issued by any lawfully organized national banking association or federal reserve bank, or bonds of the United States or of this commonwealth computed at their fair market value which are the absolute property and in the possession of such corporation, or of certificates of indebtedness of the United States; and at least one half of the said two fifths of such reserve shall consist of lawful money of the United States, gold certificates, silver certificates, or notes and bills issued by any lawfully organized national banking association or federal reserve bank. The remainder of such reserve may consist of balances, payable on demand, due from any trust company in Boston authorized to act as reserve agent as provided in the following section, or from any national banking association doing business either in this commonwealth or in the cities of New York, Philadelphia, Chicago or Albany, or from the federal reserve bank of Boston. A portion of such remainder, not exceeding one third, may consist of bonds of the United States or of this commonwealth computed at their fair market value, which are the

absolute property and in possession of such corporation; provided, that the aggregate amount of lawful money, bonds and certificates of indebtedness of the United States, bonds of this commonwealth, and gold certificates, silver certificates and notes and bills issued by any lawfully organized national banking association or federal reserve bank held by such corporation shall at all times be equal to at least five per cent of the aggregate amount of all its time and demand deposits, exclusive of deposits in its savings department.

SECTION 75. The commissioner may authorize any trust company in Boston to act as reserve agent for trust companies doing business in the commonwealth; provided, that a trust company shall not keep any part of its reserve in a trust company so authorized to act as reserve agent without first obtaining the written consent of the commissioner. Not less than one half of the reserve of such trust company acting as reserve agent shall consist of lawful money of the United States, gold certificates, silver certificates or notes and bills issued by any lawfully organized national banking association, and the remainder of such reserve may consist of balances, payable on demand, due from any trust company in Boston authorized to act as reserve agent as herein provided, or from any national banking association doing business either in this commonwealth, or in the cities of New York, Philadelphia, Chicago or Albany.

SECTION 76. If the reserve of any trust company is at any time less than the amount which it is required to keep on hand, such corporation shall not make any new loans or investments until the required proportion between the aggregate amount of its deposits and reserve shall be restored. The commissioner may notify such corporation to make good such reserve, and if such corporation fails for sixty days thereafter so to make good such reserve, he may apply to a justice of the supreme judicial court to appoint one or more receivers to take possession of the property and effects of such corporation and to close up its business, subject to such directions as may from time to time be prescribed by the court or by a justice thereof. If the reserve of any such corporation which has been authorized to act as reserve agent is at any time less than the amount which it is required to keep on hand, the commissioner may notify such corporation to make good such reserve, and if such corporation fails for ten days thereafter so to make good such reserve, the commissioner may revoke the authority of such corporation to act as a reserve agent.

SECTION 77. The directors may from time to time set apart as a trust guaranty fund such portion of the profits as they may consider expedient. Such fund shall be invested in such securities only as the trust deposits may be invested in. The accounts of its investment and management, and the securities in which it is invested, shall be kept in the trust department.

SECTION 78. The trust guaranty fund shall be absolutely pledged for the faithful performance by the corporation of all its duties and undertakings under sections fifty to fifty-two, inclusive, and shall be applied to make good any default in such performance, and such pledge and liability shall not in any way relieve the capital stock and general funds of the corporation, but creditors under said sections shall have an equal claim with other creditors upon the capital and other property of the corporation, in addition to the security hereby given.

SECTION 79. No portion of such trust guaranty fund shall be transferred to the general capital while the corporation has undertakings of the kind mentioned in sections fifty and fifty-two for whose performance bonds are required from individuals, outstanding uncompleted; but its income, if not required at any dividend time to make good such deposits or undertakings, may be added to and disposed of with the general income of the corporation.

Corporation may act as reserve agent.
1888, 413, § 13.
1900, 257.
R. L. 116, § 28.
1904, 374, § 7.
1905, 331, § 1.
1908, 520, § 10.

Proceedings if reserve less than required.
1888, 413, § 13.
R. L. 116, § 28.
1904, 374, § 7.
1905, 331, § 1.
1908, 520, § 11.

Trust guaranty fund.
1888, 413, § 10.
R. L. 116, § 25.

Trust guaranty fund pledged, etc.
1888, 413, § 11.
R. L. 116, § 26.

Trust guaranty fund not to be transferred,
1888, 413, § 12.
R. L. 116, § 27.

Guaranty fund.
1896, 423, § 2.
R. L. 116, § 29.

SECTION 80. Every such corporation chartered subsequent to May twenty-first, eighteen hundred and ninety-six, after a deduction of all reasonable expenses and losses incurred during the year in the management thereof, shall annually set aside not less than ten per cent of its remaining earnings as a guaranty fund, until such fund amounts to twenty-five per cent of its capital, which fund shall be invested in the same manner as deposits in savings banks may be invested.

Reserves
requirements,
if member of
federal reserve
bank.
1914, 537, § 1.

SECTION 81. A trust company which becomes a stockholder in a federal reserve bank within the federal reserve district where such trust company is situated, and while such trust company continues as a member bank under the United States "Federal Reserve Act" approved December twenty-third, nineteen hundred and thirteen, or any acts in amendment thereof, shall be subject to the provisions of said "Federal Reserve Act" and any amendments thereof relative to bank reserves, in substitution for the requirements of sections seventy-three to seventy-five, inclusive.

REFERENCES.

§ 4. Use of word "trust" by persons doing a banking business or receiving money on deposit forbidden, Chap. 167, § 12.
§ 52. As to the authority of national banks to perform fiduciary acts, § 11k of the Federal reserve act, approved December 23, 1913 (38 Stat. 251, 262, c. 6), as amended September 26, 1918; also First National Bank v. Union Trust Company, 244 U. S. 417.
Other provisions of law relative to trust companies will be found in Chap. 167.

STATUTES

RELATING TO

MORTGAGE LOAN INVESTMENT COMPANIES

CHAPTER 173, GENERAL LAWS

STATUTES

RELATING TO

MORTGAGE LOAN INVESTMENT COMPANIES.

General Laws, Chapter 173.

MORTGAGE LOAN INVESTMENT COMPANIES.

SECT.

1. Powers and duties.
2. Loans.
3. May purchase, sell and assign notes, etc.
4. Receipt of money for investment, etc.
5. Foreclosure of mortgages, etc.
6. Issue of debentures or bonds.
7. Amount guaranteed limited.
8. Bonds, notes, etc., where payable.

SECT.

9. May hold real estate.
10. Holding its own capital stock.
11. Liability of shareholders.
12. Guaranty fund.
13. Books to be open for inspection.
14. Commissioner of banks to have supervision.
15. Returns.
16. Annual report as to such corporations.

SECTION 1. Every corporation chartered in the commonwealth for the special purpose of negotiating or making loans of money secured by deed of trust or mortgage of real estate situated outside of the commonwealth shall be subject to this chapter. Any such corporation chartered prior to May twenty-second, eighteen hundred and eighty-eight, shall, except where inconsistent with this chapter, continue to exercise the powers and be subject to the duties set forth in its charter.

Powers and duties.
1888, 387, § 1.
R. L. 117, § 1.

SECTION 2. Such corporation may loan money secured by deed of trust or mortgage of real estate not subject to a prior mortgage or encumbrance and situated in any state, other than this commonwealth, or territory of the United States, to an amount not exceeding fifty per cent of the appraised value of said property. It may also hold, sell and assign the bonds, notes, mortgages and securities taken for such loans, may guarantee the payment of the interest and principal of bonds, notes or other evidences of debt secured as aforesaid, and may guarantee title to the property securing such evidences of debt for the time such debt remains unpaid; but this chapter shall not authorize such corporations to engage in the business of title insurance.

Loans.
1888, 387, § 2.
R. L. 117, § 2.

SECTION 3. It may purchase, hold, guarantee, sell and assign notes or bonds, and the mortgages or deeds of trust securing the same, or other papers securing a loan made in accordance with the preceding section.

May purchase, sell and assign notes, etc.
1888, 387, § 3.

R. L. 117, § 3.

SECTION 4. It may receive money for investment in securities which it is by this chapter authorized to sell or issue, and may allow interest on such money from the time of its receipt to the time of its investment, at such rate as may be agreed upon; may receive, care for, manage and sell stocks, bonds and evidences of debt, the avails of which are intended for investment as aforesaid. No such corporation shall receive money on deposit, except as herein provided, or engage in any form of banking or trust business except that permitted by this chapter.

Receipt of money for investment, etc.
1888, 387, § 4.
R. L. 117, § 4.

SECTION 5. It may act as agent for foreclosing mortgages and collecting claims arising by reason of any evidence of debt deposited with

Foreclosure of mortgages, etc.

1888, 387, § 5.
R. L. 117, § 5.

Issue of debentures or bonds.
1888, 387, § 6.
R. L. 117, § 6.

Amount guaranteed limited.
1888, 387, § 7.

Bonds, notes, etc., where payable.
1888, 387, § 8.
R. L. 117, § 8.

May hold real estate.
1888, 387, § 9.
R. L. 117, § 9.
Holding its own capital stock.
1888, 387, § 10.
R. L. 117, § 10.
Liability of shareholders.
1888, 387, § 11.
R. L. 117, § 11.

Guaranty fund.
1888, 387, § 12.
R. L. 117, § 12.

Books to be open for inspection.
1888, 387, § 13.
R. L. 117, § 13.
Commissioner of banks to have supervision.

it under the preceding section. It may purchase real estate at public auction sale thereof made by virtue of the power contained in any deed of trust or mortgage owned, held or guaranteed by it, or at private sale thereof made to cancel the debt secured by such deed of trust or mortgage, and may hold, sell, transfer and convey said property; but real estate so purchased or acquired shall be sold within five years thereafter.

SECTION 6. It may issue debentures or bonds, to secure the payment of which it shall from time to time assign and transfer to trustees, none of whom shall be officers of the corporation, or to a domestic trust company, deeds of trust or mortgages of real estate on which loans have been made in accordance with this chapter, to be held by such trustees or company in trust for the benefit of the holders of said debentures or bonds, whereupon such trustees or company shall endorse their or its certificate of such fact upon debentures or bonds not exceeding in amount the face value of securities so transferred to them or it.

SECTION 7. The total amount of mortgages guaranteed and of debentures or bonds issued by such corporation shall at no time exceed ten times the amount of its capital stock actually paid in and its surplus.

R. L. 117, § 7.

SECTION 8. Bonds, notes and other evidences of debt taken by such corporation for money loaned shall be payable to it at its principal place of business in the commonwealth, and shall pass by delivery, by transfer on the books of such corporation at said place of business, or by certificate of its transfer agent at such other place as it may appoint. No transfer, except on the books of the corporation or by certificate of its transfer agent, shall be valid unless the last transfer shall have been to bearer. A complete record of such transfer by said transfer agents shall be forwarded to and kept at said place of business of such corporation.

SECTION 9. Such corporation may hold real estate in the commonwealth suitable for the transaction of its business to an amount not exceeding twenty-five per cent of its capital actually paid in.

SECTION 10. No such corporation shall purchase or hold shares of its own capital stock unless necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased shall within six months thereafter be sold or disposed of at public or private sale.

SECTION 11. The shareholders of such corporation shall be personally liable in the same manner and to the same extent as stockholders of business corporations are liable under the laws of this commonwealth. Sections thirty-eight to forty, inclusive, of chapter one hundred and fifty-six shall apply to and regulate the enforcement of such liability.

SECTION 12. Such corporation shall set apart as a guaranty fund not less than five per cent of its paid in capital, and shall thereafter annually add thereto not less than ten per cent of its net earnings, until such fund, with the accumulated interest thereon, shall be equal to not less than twenty-five per cent of its paid in capital. Said fund shall be invested in United States bonds, English consols, first mortgage bonds of any railroad corporation which has paid a dividend on its stock for at least three years last preceding the date of said investment, the legally authorized bonds for municipal purposes of any city of the United States of not less than thirty thousand inhabitants whose whole indebtedness does not exceed five per cent of its last assessed valuation, or in any securities in which savings banks may invest their deposits.

SECTION 13. The books of such corporation shall at all reasonable times be open for inspection to the stockholders and to holders of bonds and debentures issued by such corporation, or of notes and other evidences of debt guaranteed by it.

SECTION 14. The commissioner of banks and his assistants shall have access to the vaults, books and papers of such corporation, shall inspect, examine and inquire into its affairs, and take proceedings in

regard to it at such times as the commissioner shall consider necessary, in the same manner and to the same extent as if such corporation were a savings bank, and he may cause an examination to be made by an expert under his direction but at the expense of the corporation.

SECTION 15. Such corporation shall annually, within ten days after the last business day of October, make a return to said commissioner which shall be in the form of a trial balance of its books, and shall specify the different kinds of its liabilities and assets, stating the amount of each kind in accordance with a blank form to be furnished by him; and such returns shall be published in a newspaper of the town where such corporation is located, at the expense of such corporation, at such times and in such manner as may be directed by him.

SECTION 16. The department of banking and insurance shall include in its annual report such facts and statements relative to such corporations as the public interest requires.

R. L. 117, § 15.

1906, 204, § 3.

1888, 387, § 14.

1919, 350, § 8.

1888, 387, § 14.

R. L. 117, § 14.

1906, 204, § 3.

1919, 350.

§§ 45, 46, 49.

Returns.

1888, 387, § 14.

R. L. 117, § 15.

1906, 204, § 3.

1919, 350.

§§ 45, 46, 49.

Annual report
as to such
corporations.

STATUTES

RELATING TO

BOND AND INVESTMENT COMPANIES

CHAPTER 174, GENERAL LAWS

STATUTES

RELATING TO

BOND AND INVESTMENT COMPANIES.

General Laws, Chapter 174.

BOND AND INVESTMENT COMPANIES.

SECT.

1. Corporations to sell bonds, etc., on instalment plan, organization, etc.
2. Suit in equity relative to deposit.
3. Certificate of authority from commissioner of banks required.
4. Examination of corporation.
5. Annual statement.
6. Penalties for failure to file and for false statement.
7. Suspension of business of foreign corporation.

SECT.

8. Same of domestic corporation.
9. Penalty on agent of unauthorized corporation.
10. No forfeiture after one fourth of instalments paid. No unearned dividends.
11. Chapter not to apply to insurance and fraternal corporations.
12. Penalty where not otherwise provided.

SECTION 1. The business of issuing, negotiating or selling any bonds, certificates or obligations of any kind on the partial payment or instalment plan, unless such bond, certificate or obligation shall at the time of issuance, negotiation or sale be secured by adequate property, real or personal, shall be transacted in the commonwealth only by corporations subject to the requirements of this chapter. Every such corporation before doing business in the commonwealth shall have at least one hundred thousand dollars of capital stock fully paid in, which, for the benefit and protection of all its investors equally, shall be deposited in trust with the state treasurer or with the duly authorized officer of some other state, which deposits shall consist of cash or of securities in which savings banks in this commonwealth are permitted to invest their deposits or of securities approved by the commissioner of banks, and worth at least one hundred thousand dollars. Such corporation, if the deposit is made with the officer of any other state, shall furnish to the commissioner a certificate from said officer under his official seal, showing that he, as such officer, holds said deposit in trust for the benefit and protection of all the investors in said corporation. The certificate shall embrace the items of securities so held, and show that such officer is satisfied that said securities are worth one hundred thousand dollars, but such certificate shall in no manner impair the right of said commissioner to examine the securities so held. A corporation making such deposit with the treasurer of this commonwealth shall be entitled to the income thereof, and may from time to time, with the consent of the treasurer, change, in whole or in part, the deposited securities for other securities of equal value, approved as aforesaid. The treasurer may return to the corporation any such deposit if it shall appear that the corporation has ceased to do business in this commonwealth, and is under no obligation to its contract holders or other persons in this commonwealth or elsewhere for whose benefit such deposit was made.

Corporations to sell bonds, etc., on instalment plan, organization, etc.
1904, 427, § 1.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

Suit in equity
relative to
deposit.

1904, 427, § 1.
1906, 204, § 3.

SECTION 2. A corporation that has made such deposit, the commissioner of banks or any creditor may bring in the supreme judicial court for Suffolk county a suit in equity against the commonwealth to enforce, administer or terminate the trust created by such deposit.

1908, 590, § 2.

1919, 350, § 46.

Certificate of
authority from
commissioner
of banks
required.

1904, 427, § 2.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 3. No corporation shall transact the business described in section one without receiving a certificate of authority from the commissioner of banks. Upon the making of the deposit with the state treasurer or the filing with the commissioner of the certificate required by section one, and upon an examination or exhibition of the assets and liabilities of the corporation showing that it is in a sound financial condition, and if it is otherwise duly qualified under the laws of the commonwealth to transact business therein, the commissioner shall issue to it a certificate of authority to do business in the commonwealth.

Examination
of corporation.

1904, 427, § 2.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 4. Upon the filing of such certificate, or whenever he deems it to be prudent for the protection of investors in the commonwealth, the commissioner may visit personally, or by a competent examiner, any corporation engaged in said business, and thoroughly inspect and examine its affairs, and ascertain its financial condition and whether it has complied with law. The proper charges incurred in the examination of a foreign corporation, including the expenses of the commissioner and the expenses and compensation of his assistants employed therein shall be paid by such corporation. For the purposes aforesaid, the commissioner or the person making the examination shall have free access to all the books and papers of a corporation which relate to its business, and to the books and papers kept by any of its agents; and may examine and administer oath to, and examine as witnesses, the directors, officers and agents of said corporation, and any other person, relative to its affairs, transactions and condition.

Annual
statement.

1904, 427, § 3.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 5. Every corporation transacting said business shall annually, on or before January fifteenth, file with the commissioner a statement of its financial condition on December thirty-first of the previous year, and its business of that year. For cause, the commissioner may extend the time for filing said statement to a date not later than February fifteenth. The statement shall be in the form required by the commissioner, and shall be sworn to by the president and secretary, or, in their absence, by two of the principal officers of the corporation. The fee for filing such annual statement shall be twenty dollars.

Penalties for
failure to file
and for false
statement.

1904, 427, § 3.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 6. A corporation neglecting to file its annual statement within the time required shall forfeit one hundred dollars for each day during which such neglect continues; and, upon notice by the commissioner to that effect, its authority to do any business shall cease while such default continues. For wilfully making a false annual statement the corporation and the person making oath to or subscribing to the same shall be punished by a fine of not less than five hundred nor more than five thousand dollars.

Suspension of
business of
foreign corporation.

1904, 427, § 4.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 7. If the commissioner is of opinion, upon examination or other evidence, that a foreign corporation subject to this chapter is in an unsound financial condition, that it has failed to comply with law, or if its officers or agents refuse to submit to examination or to perform any legal obligation relative thereto, he shall suspend all certificates of authority granted to said foreign corporation, its officers or agents, and shall cause notices thereof to be published in such newspapers as the commissioner may deem advisable; and no new business shall thereafter be done by it in this commonwealth while such default or disability continues, nor until its authority to do business is restored by the commissioner or by the supreme judicial court as hereinafter provided. He shall forthwith notify the corporation of such suspension and shall specify in the notice the cause thereof and the particulars of

any alleged violation of law. The supreme judicial court, upon petition of said corporation brought within thirty days after receipt of said notice, shall summarily hear and determine the question whether such cause for suspension exists, and shall make any appropriate order or decree therein. Questions of law may be taken to the full court, as in other cases.

SECTION 8. If upon examination the commissioner is of opinion that any domestic corporation subject to the requirements of this chapter is in an unsound financial condition or has exceeded its powers, or has failed to comply with any provision of law, he shall apply to the supreme judicial court in equity for an injunction restraining the corporation from further proceeding with its business in whole or in part. The court may issue an injunction forthwith, and may, after a full hearing, make the injunction permanent, and may appoint a receiver or receivers to take possession of the property and effects of the corporation and to settle its affairs, subject to the order of the court.

Same of domestic corporation.
1904, 427, § 4.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 9. Whoever sells or attempts to sell any bond, certificate or obligation issued by a corporation subject to this chapter, or transacts any business in behalf of said corporation, unless said corporation is thereto authorized under this chapter by the commissioner of banks, shall be punished by a fine of not less than one hundred nor more than one thousand dollars or by imprisonment for not more than six months, or both.

Penalty on agent of unauthorized corporation.
1904, 427, § 5.
1906, 204, § 3.
1908, 590, § 2.
1919, 350, § 46.

SECTION 10. Every corporation subject to this chapter shall provide in every bond, certificate or contract issued by it that, after one fourth of the total amount of instalments therein required has been paid and in any event after instalments for two full years have been paid thereon, in case of default in the payment of any subsequent instalment a paid up bond shall be given to the holder of said bond, certificate or contract of not less than the full amount paid thereon less any amount paid by said corporation on account thereof, said paid up bond to mature at the same date as the original bond, certificate or contract; and no such corporation shall provide for the payment of profits in the form of dividends or otherwise, except from earnings, nor pay any part of the payments made by the holder of any bond, certificate or contract in force to the holder of any other bond, certificate or contract: provided, that nothing herein contained shall be construed to prohibit the payment of accumulations by such corporation on its contracts at their final maturity.

No forfeiture after one fourth of instalments paid. No unearned dividends.
1904, 427, § 6.

SECTION 11. This chapter shall not apply to corporations subject to chapter one hundred and seventy-five, one hundred and seventy-six or one hundred and seventy-seven.

Chapter not to apply to insurance and fraternal corporations.

1904, 427, § 7.

SECTION 12. Any person or corporation violating any provision of this chapter for which no penalty is specifically provided shall be punished by a fine of not more than five hundred dollars.

Penalty where not otherwise provided.
1904, 427, § 8.

MISCELLANEOUS PROVISIONS

CHAPTER 93. SECTION 34, SAVINGS AND LOAN ASSOCIATIONS.

CHAPTER 93. SECTIONS 35 TO 39, REGISTRATION OF PUBLIC ACCOUNTANTS.

CHAPTER 158. SECTION 17, PROVISIONS RELATIVE TO COLLECTION OF RENTS
ON SAFE DEPOSIT BOXES, ETC.

MISCELLANEOUS PROVISIONS.

General Laws, Chapter 93, Section 34.

SAVINGS AND LOAN ASSOCIATIONS.

SECTION 34. The commissioner of banks shall have the same powers and duties in respect to savings and loan associations which he now has or may hereafter have in respect to savings banks. In the examination of such savings and loan associations inquiry shall be made as to the nature and resources of the association in general, its methods of conducting business, the actions of its officers, the investment of its funds, and as to whether the administration of its affairs is in compliance with its by-laws and the statutes. At each visitation, a thorough examination and audit shall be made of the books, securities, cash, assets, liabilities, income and expenditures, including a trial balance of the shareholders' ledgers, for the period elapsed since the preceding examination. The expense of such examination and audit shall be paid by the savings and loan association. The person in charge of the examination shall render to the commissioner a report of his findings, in such form as the commissioner may prescribe, and a copy thereof shall be rendered to the board of directors within ten days after the original has been submitted to the commissioner, together with a notice of the amount of the expense aforesaid which shall be due and payable within thirty days after the date of the notice. Upon the failure of any such savings and loan association to pay the said expense within the time prescribed herein, the commissioner shall report the facts to the attorney general, who shall immediately bring an action for the recovery of the sum due. The commissioner shall annually make a report to the general court of such facts and statements relative to the said associations and in such form as he may consider that the public interest requires. The officers of every such association shall answer truly all inquiries made, and shall make all returns required by the commissioner.

Powers and duties of commissioner of banks as to savings and loan associations. 1916, 26.

General Laws, Chapter 93, Sections 35 to 39, inclusive.

REGISTRATION OF PUBLIC ACCOUNTANTS.

Powers and duties of commissioner of banks as to public accountants.

Examination of applicants. 1909, 399, § 2. 1911, 81.

Certificates. 1909, 399, §§ 1, 3.

Certified public accountants. 1910, 263, § 1.

Penalty. 1909, 399, § 4.

SECTION 35. The commissioner of banks shall have charge of the registration of public accountants and shall make such rules as are necessary to carry out sections thirty-five to thirty-nine, inclusive.

1909, 399, § 1.

SECTION 36. The commissioner shall examine any citizen of the United States resident in the commonwealth and not less than twenty-one years of age who may apply for a certificate, shall investigate his character and fitness, and shall require the payment of such a reasonable and fixed fee, not exceeding twenty-five dollars, as may be necessary in his opinion to carry out sections thirty-five to thirty-nine, inclusive.

SECTION 37. Any applicant whom the commissioner deems to have the necessary qualifications and professional ability shall be registered as a public accountant, and shall receive a certificate thereof, good for one year from its date. The certificate may be renewed from year to year upon the payment of five dollars for each renewal. The commissioner, after notice and a hearing, may for good cause suspend or revoke a certificate issued by him. He shall keep a record of all certificates issued under this section which shall be open to inspection in the office of the state secretary.

SECTION 38. A public accountant registered under the preceding section may, if the certificate issued to him under said section has not been suspended or revoked, style himself "Certified Public Accountant."

SECTION 39. Any person who falsely represents himself to be a public accountant registered under section thirty-seven shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than six months or both.

General Laws, Chapter 158.

PROCEEDINGS IF RENT OF SAFE DEPOSIT BOXES NOT PAID.

SECTION 17. If the amount due for the rent or use of a box or safe ^{1887, 89.} in the vaults of a domestic corporation organized for the purpose of letting vaults, safes and other receptacles shall not have been paid for two years, such corporation may cause to be mailed, postpaid, to the person in whose name such safe or box stands upon the books of such corporation and at his address as stated on said books, a notice stating that if the amount then due for the use or rent of such safe or box shall not be paid within sixty days from the date of such notice such corporation will cause such safe or box to be opened in the presence of its president, treasurer or superintendent and of a notary public, and the contents thereof, if any, to be sealed up in a package and placed in one of the storage vaults of such corporation. If, upon the expiration of said sixty days from the date of such notice, such person shall have failed to pay the amount due for the use or rent of such safe or box in full to the date of such notice, all right of such person in such safe or box and of access thereto shall cease, and such corporation may in the presence of its president, treasurer or superintendent and of a notary public not an officer or in the general employ of such corporation, cause such safe or box to be opened, and such notary public shall remove the contents thereof, make a list of the same and shall seal up such contents in a package and shall mark thereon the name of the person in whose name such safe or box stood on the books of such corporation and his address as stated on said books, and such package shall in the presence of said notary public and of said president, treasurer or superintendent be placed in one of the storage vaults of such corporation; and the proceedings of such notary public, including said list of the contents of said safe or box and his estimate of the total value of said contents, shall be set forth by him in his own handwriting and under his official seal in a book to be kept by such corporation for the purpose. The officer of such corporation who sent said written notice shall in the same book state his proceedings relative thereto, setting forth a copy of said notice. Both of said statements shall be sworn to by such notary public and officer, respectively, before a justice of the peace, who shall make certificate thereof in said book; and said written statements shall be prima facie evidence of the facts therein set forth in all proceedings at law and in equity wherein evidence of such facts would be competent. This section shall not impair any right relative to such safes, boxes or their contents which such corporation would otherwise have. ^{R. L. 116, § 38.}

INDICES

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NOTE. — For other provisions applicable to co-operative banks, see General Laws, chapter 167.

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NOTE. — For exemption of credit unions and their stock from taxation, see General Laws, chapter 59, section 5.

CHAPTER 172.
TRUST COMPANIES.

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NOTE. — For other provisions relative to trust companies, see chapter 167. Use of word "trust" regulated, chapter 167, section 12.

CHAPTER 173.

MORTGAGE LOAN INVESTMENT COMPANIES.

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